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GOVERNMENT AND ADMINISTRATION

By-election and State of the Parties

Details of the result of a recent parliamentary by-election and the present state of the parties in the House of Commons are given below.

The Social Democratic-Liberal Alliance gained the seat at Portsmouth, South in a parliamentary by-election on 14 June. The seat became vacant following the death in May of the Conservative MP, Mr Ralph Bonner Pink. The Alliance candidate, Mr Michael Hancock, won by a majority of 1,341 votes.

The results were as follows:

M. Hancock (Social Democratic-Liberal Alliance)	15,358
P. Rock (Conservative)	14,017
S. Thomas (Labour)	10,846

Six other candidates between them received a total of 662 votes; all lost their deposits. Votes were cast by 54·5 per cent of the electorate.

At the general election in June 1983, the seat was held for the Conservative Party with Mr Bonner Pink polling 25,101 votes, followed by the Alliance candidate with 12,766 votes and the Labour candidate with 11,324 votes. Votes were cast by 67·3 per cent of the electorate.

State of the Parties

Following the by-election, the state of the parties in the House of Commons is now as follows:

Conservative	394
Labour	207
Liberal	17
Social Democratic	7
Scottish National	2
Plaid Cymru (Welsh Nationalist)	2
Ulster Unionist (Northern Ireland)	11
Democratic Unionist (Northern Ireland)	3
Ulster Popular Unionist (Northern Ireland)	1
Social Democratic and Labour (Northern Ireland)	1
Sinn Fein (Northern Ireland)	1
TOTAL	646

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means) who do not vote except in their official capacity in the event of a tie. The government majority over all other parties is 142, although the Sinn Fein MP has not taken his seat.

New Ireland Forum Report: Parliamentary Debate

Talks between the political parties in Northern Ireland to find common ground were proposed by the Secretary of State for Northern Ireland in a debate on the report of the New Ireland Forum in the House of Commons on 2 July. In the light of the report and the Ulster Unionist document *The Way Forward*, the Secretary of State discussed the attitudes and aspirations of both the Unionist and the nationalist communities and called for flexibility and imagination in seeking accommodation and agreement for a better way ahead.

HOUSE OF COMMONS DEBATE

Secretary of State's Speech

Opening the debate (*Hansard*, Vol. 63, No. 183, cols. 23-106) the Secretary of State for Northern Ireland, Mr James Prior, said that although parts of the New Ireland Forum report (see pp 157-60) were unacceptable to the British Government, there was positive value in its serious examination of nationalist aspirations, its emphasis on the importance of consent, its unequivocal condemnation of violence, its attempt to understand the Unionist identity and its willingness to discuss other views. The tone of the document and its language were also important. Much the same could be said of the Ulster Unionist document *The Way Forward* (see p 245). There was now much more hope of a positive climate than there had been for some time.

Turning to the security situation Mr Prior said that there had been a great improvement over the past few years, but the toll of terror and murder was still present. Every incident divided society more. Mr Prior said that he had changed his view

over the years. Formerly he had felt that a strong and effective political response would prevent terrorism. He now believed that in the short run political progress might increase terrorism for a short time before things improved. Many terrorists were so deeply enmeshed in crime of all sorts that it would be very difficult to wean them away.

The difficult security situation was coupled with a bad economic position. There was great resilience in the Province; it was little less than a miracle that Northern Ireland had maintained as much normality as it had. There had been some notable improvements over the past few years. Housing was now improving dramatically, particularly in Belfast. Leisure facilities and health and social services had prospered. There was much greater fairness in society than there was 15 years ago; there were the Ombudsman, the Fair Employment Agency and the Standing Advisory Commission on Human Rights. Despite that, the minority still felt that they had fewer opportunities and suffered discrimination in jobs and in contact with the police and Army.

The Government had tried, said Mr Prior, to encourage political understanding within the communities. It had set up the Northern Ireland Assembly which had done valuable work (see p 157), and the Assembly's committees had been of considerable importance. The dangers of doing nothing were greater than the risks of seeking to make some political advance. There was much common ground between the Unionist document and the report of the New Ireland Forum; Dr Garret FitzGerald, the Prime Minister (Taoiseach) of the Irish Republic, had referred to the extent to which both provided a basis for dialogue.

However, the Forum report was less than fair to what successive British governments had done over the past 15 years. It discussed the 'realities' of the situation but there was one overriding and abiding reality – that consent was not forthcoming for any formulation that denied the Unionists their right not only to belong to the United Kingdom but to be apart from the Republic. Mr Prior referred to the three possible models proposed in the report and said that inasmuch as any of them significantly altered the sovereignty of Northern Ireland, it was a dangerous fallacy to imagine that the Unionist majority would agree. It was a fact that the majority of people in Northern Ireland were totally committed to maintaining it as part of the United Kingdom and were firmly opposed to becoming part of a united Ireland on any terms. At the same time there was a substantial minority of people in Northern Ireland who were strongly committed to Northern Ireland sooner or later becoming part of a united Ireland. They felt no sense of identification with many aspects of government or of law and order in Northern Ireland and resented the fact that there was so little scope for expression of their Irish identity. They saw themselves excluded from any effective exercise of political power.

Northern Ireland was part of the United Kingdom and it was right that its constitutional position should be amended only by the freely-given consent of the people. As long as Northern Ireland was a sovereign part of the United Kingdom its government and administration must ultimately remain a matter for Parliament. The Government believed that the needs of the people of Northern Ireland were best met in a devolved administration which had the support of both sides of the community.

Mr Prior went on to say that the Government recognised the sense of grievance and frustration which history had created in the minority community. Arrangements should be directed at recognising the Irish identity and also developing the minority's participation and confidence in structures and processes in Northern Ireland.

Geography and the fact that many people in Northern Ireland felt an allegiance to the Irish Republic called for a close relationship between the United Kingdom Government and the Republic. The two communities had much in common; much of their history was shared; their cultural heritage was distinctive but intertwined. They shared many of the same concerns – in their economies, in their relations with other parts of the world, in their parliamentary traditions and democratic values, and as major trading partners in the European Community. They shared a common border and a joint concern for peace, stability and prosperity. They had a terrorist problem, the political creed of which knew no boundaries and which threatened both.

Recognising all these realities, Mr Prior questioned how the two countries should proceed. A degree of institutional co-operation already existed and it was worth exploring other ideas in the security, economic and parliamentary spheres. A parliamentary body drawn chiefly from Westminster and the Dail could be of value and could strengthen further the goodwill of the Anglo-Irish parliamentary group. But such ideas were unlikely to be accepted if there was a suspicion that they were directed not at reflecting the interest of the minority and the two countries' common concerns but at advancing the Republic's constitutional claim against the wishes and consent of the majority in Northern Ireland.

The present situation was not satisfactory for the British Government which faced the continued drain on its resources; for the nationalists in Northern Ireland who felt cut off from decision making and a proper recognition of their Irish identity; for the Unionists who were blamed for their intransigence and were as cut off from decision making as the nationalists, particularly at local government level; nor for the Irish Government who were challenged to justify nationalist aspirations and were menaced themselves by terrorist violence. Mr Prior said that in the next few months he would like to see careful, detailed and substantial talks taking place between the political parties in Northern Ireland. He hoped that they would be prepared to talk to each other in order to find some better way forward. It was better for the parties themselves to try to find common ground than to have it forced upon them. For its part, the Government would want to have talks with each of the parties involved and with the Irish Government. In addition the Prime Minister would meet the Taoiseach before the end of the year.

The Unionists could take part in the talks in the knowledge that the position of Northern Ireland as part of the United Kingdom was secure. Nationalists could do so knowing that the Government wanted to find an acceptable way to involve them and that it was concerned about the views that the Irish Government had expressed on their behalf.

There were many possibilities for the way forward. Mr Prior said he had expressed his preference for a devolved administration which had much to offer both Unionists and nationalists and would complement the development of normal Anglo-Irish relations. Within the various levels of administration it should be possible to reflect the width of interest within both communities and to safeguard the concerns of each. It was important, Mr Prior continued, to open the debate and the aim was to move towards agreement or, at least, towards acquiescence which could lead to a shared perception of what was acceptable. This was mainly a matter for the political parties in Northern Ireland and would require from them both flexibility and imagination. Only by steady, quiet progress and confidence-building could results be achieved.

Opposition Views

The chief Opposition spokesman on Northern Ireland, Mr Peter Archer, said that the concern of the Labour Party was for the political parties in Northern Ireland to explore by rational discussion how the interests of everyone could be fairly protected. The Opposition believed that the interests of the people of Northern Ireland would best be served by the unification of Ireland, but unification by consent. He believed that future generations of Northern Ireland Protestants would see the wisdom of this.

It now seemed that this was the moment for dialogue. The New Ireland Forum report was an invitation to talk. The nationalist parties recognised that the Unionists had an identity and could legitimately ask that any solution should recognise their interests. *The Way Forward* demonstrated that on the Unionist side there was a recognition of the nationalist identity. He wanted the parties to talk quietly and get down to the serious issues between them; nothing should be excluded from the agenda. It was significant how many people in Northern Ireland, from both traditions, were working for reconciliation.

Mr Stephen Ross, the Liberal Party spokesman, said that there was an air of realism among the parties represented in the Dublin Parliament. It should be possible to respond to the Forum report with some positive initiatives. His Party believed that any new approaches should link the two sovereign states of the United Kingdom and the Irish Republic rather than Northern Ireland and the Republic. They proposed that a British-Irish parliamentary council be established whose aim would be an improvement in relations between the two countries, and not political union. The council might conceivably develop into a forum in which solutions of the Northern Ireland problem could be discussed and developed.

Views of Northern Ireland Members

Mr James Molyneaux, leader of the Ulster Unionists, said that all the Forum's options were designed to break up the United Kingdom and all required the consent of the greater number of people in Northern Ireland. Before any realistic co-operation could evolve the Forum parties had to be convinced that free consent would not be given in their lifetime. Turning to the possibilities for co-operation and participation Mr Molyneaux said that in *The Way Forward* the Ulster Unionists offered the nationalist minority guarantees superior to those offered by the Republic to the Unionists in a united Ireland. Moreover, their proposals could be implemented in the immediate future. The people of Northern Ireland were now in the mood to begin the work of repair and he asked the Government and Parliament to give them the opportunity to do so. To other parties, particularly those of another tradition, he would say that his party was more than willing to join them in getting down to work.

The Reverend Ian Paisley, leader of the Democratic Unionist Party, said that political developments would not bring an end to terrorism. If any political settlement was arrived at, the IRA would unleash an even greater terrorist campaign. The Forum report put forward proposals that would take Northern Ireland out of the United Kingdom. This was anathema to his constituents. There was a desire for peace in Northern Ireland; it was for the elected representatives of the Northern Ireland people to seek a way out of the present impasse.

Mr John Hume, the Social Democratic and Labour Party member and leader of his Party, said that the major challenge was to recognise that all attitudes, whether unionist, nationalist or British, had led to the present situation and that a reassessment was necessary. The purpose of the New Ireland Forum was to begin a reassessment of nationalist attitudes. The unionist tradition in Ireland of protecting the integrity of Irish Protestantism was laudable because any country was richer for its diversity, but the method used – of all power being held in Unionist hands – was wrong. Their tradition was best protected by examining what structures, agreements and arrangements could bring real unity. If Unionist leaders meant what they said when they claimed that they wanted to accommodate the different loyalties, he was ready to talk to them.

THE WAY FORWARD

The Ulster Unionist discussion paper *The Way Forward: Devolution and the Northern Ireland Assembly*,[1] published in April, puts forward proposals for devolving powers to the Northern Ireland Assembly. It says that the time is now ripe for both communities in Northern Ireland to realise that their problems will have to be solved in Northern Ireland by their political representatives. This will require a mutual recognition of each other's hopes and fears. Only rights can be guaranteed, not aspirations, but it is the responsi-

[1]Available free from Unionist Headquarters, 3 Glengall Street, Belfast BT12 5AE.

bility of the majority to persuade the minority that the Province is also theirs.

The Party takes the view that some form of devolved government is necessary for Northern Ireland which is the only part of the United Kingdom where major services are not subject to real local democratic control. It proposes that the Northern Ireland Assembly should be an administrative body for the whole of Northern Ireland; it would not legislate nor exercise its powers through the medium of cabinet government. Devolved powers would be shared between appropriate committees whose function would be to advise on decisions to be taken by the Assembly as a whole. Minority participation would be encouraged by the absence of cabinet government with its requirement of a dependable constant majority.

In quoting Edmund Burke's dictum: 'All government, indeed every human benefit and enjoyment, every virtue and every prudent act, is founded on compromise and barter', the paper says that by being general in its proposals its purposes are less entrenched and more open to negotiations. Safeguards for the minority might be considered or an accompanying Bill of Rights might be appropriate. Though opposed to an 'Irish dimension' in the form of a constitutional institution, Unionists would not object to an Irish dimension in the form of state recognition of the legitimacy of fostering Irish cultural activities in Northern Ireland.

Bill of Rights

In discussing the possibility of a Bill of Rights the paper says that although there is no significant pressure in the United Kingdom as a whole either for a written constitution enshrining citizens' rights or for a codification of such rights, this does not mean that there is not a case for the specific entrenchment of citizens' rights, with adequate machinery to protect them, to accompany devolved government in Northern Ireland. There is a significant minority in Northern Ireland which sees itself as differing in a number of material respects from the majority. More important, there are among the minority those who believe that they have been discriminated against by the State because of their Roman Catholic faith, their aspiration for a united Ireland or their attachment to Irish culture. Without accepting that there is any foundation for any feeling of discrimination or disadvantage, the Ulster Unionist Party recognises that such a feeling exists and that it might be in the interests of the people of Northern Ireland as a whole to have the rights of individuals set out in legislation conferring devolved government on Northern Ireland. The rights listed would of course be conferred on every citizen in the Province and it would be open to all citizens to seek and obtain redress for infringement.

The paper concludes by saying that its proposals may be considered by some to be too modest, but grander and more ambitious schemes have failed. The Party's objective is to find a level at which consensus may be obtained to effect a beginning in the reconciliation of the divided communities.

Northern Ireland: Direct Rule and Emergency Provisions

Orders have been approved in the House of Commons to extend the period of direct rule in Northern Ireland for a further 12 months and to renew for a further six months the emergency provisions to deal with terrorism.

Extension of Direct Rule

Introducing the Order on 2 July to extend the period of direct rule for a further 12 months (*Hansard*, Vol 63, No 184, cols 107-20), the Secretary of State for Northern Ireland, Mr James Prior, said that the Government hoped in the coming months to have discussions with the Northern Ireland parties to see whether agreement could be reached on arrangements for enabling locally-elected representatives in Northern Ireland to exercise some of the functions at present discharged by government ministers. The Government recognised that direct rule was not an ideal arrangement, but its quality had been improved considerably by the work and advice of the Northern Ireland Assembly over the past two years (see p 157).

Mr Prior said he was pleased that the Ulster Unionist Party had rejoined the Assembly [in May, after withdrawing last November, see p 399, 1983] and hoped that all the constitutional parties would participate in whatever democratic framework was agreed. He emphasised that the Government did not believe that devolution as envisaged in the Northern Ireland Act 1982 was the only way forward. Any scheme would have to enjoy support across the community. If that could not be attained through devolution as hitherto envisaged, other, perhaps more modest, schemes would have to be considered. What was needed was to find a workable, demonstrably fair system of government; he hoped that all concerned would discuss the possibilities already outlined [in the debate on the report of the Northern Ireland Forum], especially in the Ulster Unionist Party's document *The Way Forward* (see p 245).

Renewal of Emergency Provisions

Introducing the Order on 5 July to renew the emergency provisions (*Hansard*, Vol 63, No 187, cols 559-81) Mr Prior said that the issue of renewal was being put before Parliament against the background of the independent review of the Northern Ireland (Emergency Provisions) Act 1978 by the late Sir George Baker (see pp 156-7). The Government was in broad agreement with most of his conclusions and recommendations and after debate would respond to them. The Government was committed to removing all emergency measures as soon as the security position allowed. In the meantime measures which permitted the security forces to deal effectively with terrorism had to be maintained, with the minimum possible effect on civil liberties. The Government shared Sir George Baker's view that there was no scope at present for making major changes to the emergency legislation.

Mr Prior reminded the House that while the Act provided for trial by a judge sitting alone for specific scheduled offences, for additional powers of arrest, detention and search for the police and Army and for the proscription of certain terrorist organisations, it did not alter the central principles of British justice in the Province. The onus remained on the prosecution to prove guilt beyond reasonable doubt; accused persons had the right to legal advice and to be represented in open court; and there was a right of appeal against conviction or sentence.

The Government would do everything in its power to develop the political and economic fabric of the Province in order to reduce and eventually eliminate the tensions which lay at the root of violence. He was in favour of the close co-operation between the police forces on either side of the border and was looking at ways to develop it further. The problem of terrorism went much wider than Northern Ireland and the Government was ready to act internationally to counter it (see p 211).

Shorter Note

CHANGES IN LOCAL GOVERNMENT LEGISLATION

The Government's decision to amend the Local Government (Interim Provisions) Bill which makes interim arrangements for the Greater London Council (GLC) and the metropolitan county councils, pending a decision by Parliament on whether or not those councils are to be abolished, was announced in the House of Commons on 7 July by the Secretary of State for the Environment, Mr Patrick Jenkin. The Bill, which paves the way to achieving the Government's plans to abolish the GLC and metropolitan county councils (see pp 353-7, 1983), provided for the suspension of elections to the GLC and metropolitan county councils, due in May 1985, and for the establishment of transitional councils composed of members of the London boroughs and the metropolitan districts to take over the functions of the existing councils before their proposed abolition in April 1986.

The Bill, which has passed through all its stages in the Commons, was amended at the report stage in the Lords on 28 June when the upper House voted by 191 votes to 143 in favour of an all-party amendment, to prevent the Act from coming into force until the main Bill abolishing the councils – to be introduced in the 1984-85 session of Parliament – had received the Royal Assent. Mr Jenkin said that, in response to the changes made in the Lords, the Government would propose that the present members of the GLC and the metropolitan county councils should continue in office until 1986 – that is, one year beyond their full terms of office – but without the elections due next year taking place. Mr Jenkin said that at the same time further provisions would be introduced to prevent unreasonable actions by the outgoing authorities. (These amendments were approved in the Lords on 16 July.) He told the House that he hoped, before the end of the parliamentary session, to publish a brief document setting out in summary the Government's decisions on the destination of the functions at present carried out by the GLC and the metropolitan county councils. Reminding the House that the suspension of elections during a reorganisation of the structure of local government was fully in accordance with precedent, Mr Jenkin restated the Government's belief that the services at present carried out by the GLC and the metropolitan county councils could be devolved upon 'the true organs of local government – the local borough and district councils' and he reaffirmed the Government's intention to complete the abolition and the transfer of functions by April 1986.

Source, *Hansard*: Vol 65, No 186, cols 468-76; *Hansard* (*HL*), Vol 453, No 147, cols 1033-71; Vol 454, No 158, cols 1177-1278, and No 159, cols 1279-1322.

EXTERNAL AFFAIRS AND DEFENCE

European Community

Meeting at Fontainebleau on 25 and 26 June, the European Council reached agreement on Britain's contribution to the Community budget. The British Government's views on the future development of the Community were outlined in a paper given to heads of Government by the Prime Minister, Mrs Margaret Thatcher. Elections to the European Parliament were held in June.

EUROPEAN COUNCIL

Reporting to the House of Commons on 27 June (*Hansard*, Vol 62, No 180, cols 993-1009), Mrs Thatcher said that the Council had agreed a fairer and more soundly based system for Britain's financial contribution to the Community.[1] This provided for a refund of about £600 million in 1984, and thereafter, under a new system, for a rebate of 66 per cent of the difference between Britain's share of value added tax (VAT) and its share of Community expenditure. This meant that, in terms of its marginal net contribution, Britain would be contributing not about 21 per cent to new Community expenditure, as it was liable to do at present, but 7 per cent. The refunds would be implemented by reducing Britain's VAT payments to the Community in each successive year. The Council had also agreed that the £440 million refund due to Britain for 1983 should be released,[2] and the necessary regulations had been approved by the Council of Ministers.

The agreement, continued Mrs Thatcher, represented a successful culmination of the Government's long and persistent efforts to correct the budget inequity and to put Britain's refunds on a lasting basis. The new system was far better than anything previously on offer, including the offer made at the previous European Council (see p 114). In addition, it could only be changed by a unanimous decision by all member governments and ratified by their parliaments, and would, therefore, continue unless and until Britain agreed to a change.

[1]At present the Community is financed by a system of levies on agricultural imports, customs duties and the product of a notional rate of value added tax based on a Community harmonised basis at a rate not exceeding 1 per cent. These are known as 'own resources'.

[2]Payment of the 1983 refund was blocked by France and Italy pending the outcome of negotiations on a longer-term solution to the Community's budgetary problems.

Mrs Thatcher recalled that the March meeting of the European Council had reached provisional agreement on the need for budgetary discipline. Finance ministers were working on the precise measures required to guarantee the effective application of certain principles, namely that the Community should fix at the beginning of the budget procedure the maximum level of expenditure needed to finance Community policies during the following financial year, and that net expenditure relating to agricultural markets should increase less than the rate of growth of the own resources base. In the light of the agreements on Britain's refunds and on the future control of Community spending, the Council had also agreed to increase the own resources VAT ceiling to 1·4 per cent. In due course, and when the arrangements on budget discipline were in place, the Government would recommend the increase in own resources to the House. The net effect of such an increase and of the VAT refunds, however, meant that Britain would be contributing less than it was liable to contribute under the 1 per cent limit.

Turning to other matters, Mrs Thatcher said that the Council had discussed world political and economic developments, the accession of Spain and Portugal, and negotiations on the renewal of the Lomé Convention.[1] The future development of the Community had been discussed and Britain had put forward specific ideas in a paper given to other heads of Government (see below).

Concluding, the Prime Minister said that the outcome of the Council would make possible a relaunching of the Community in which Britain would play a full role; would give an impetus to enlargement, thus strengthening democracy in Spain and Portugal; and would remove a source of friction in Britain's relations with the rest of the Community.

EUROPE: THE FUTURE

Completion of the common market, the entry of Spain and Portugal, measures to improve the environment, and the need for the Community to make its influence felt in the world are emphasised in the British Government's paper on the future of the Community.

[1]The Lomé Convention governs aid, trade and co-operation between the Community and 64 developing countries in Africa, the Caribbean and the Pacific. The present Convention is due to run out in 1985 and negotiations are currently taking place on the terms of a new convention (see p 331, 1983).

The paper says that the Community had only just begun to take advantage of its great potential for internal growth through creating a common market. In addition its energies needed to be turned outwards in order to create the sense of common purpose and momentum required to hold together a community of 12, to defend the collective interests of member states in an increasingly troubled world, and to fulfil its international responsibility to the causes of freedom, democracy, prosperity and peace. To be effective in the world, the paper notes, the Community had also to be effective in the national life of each of the member states.

The Common Market

In order to tackle the problems of growth, outdated industrial structures and unemployment, a genuine common market in goods and services as envisaged in the Treaty of Rome needed to be created. 'Only by a sustained effort to remove remaining obstacles to intra-Community trade can we enable the citizens of Europe to benefit from the dynamic effects of a fully integrated common market with immense purchasing power. The success of the United States in job creation shows what can be achieved when internal barriers to business and trade come down. We must create the conditions in which European businessmen too can build on their strengths and create prosperity and jobs.' This required action to harmonise standards and prevent their deliberate use as barriers to intra-Community trade; more rapid and better co-ordinated customs procedures; a major effort to improve mutual recognition of professional qualifications; and the liberalisation of trade in services including banking, insurance and transport of goods and people. Without the full benefit of a common market, the Community's service and manufacturing industries would never be fully competitive at international level and would be unable to create much needed jobs.

Much also needed to be done to make the Community relevant to the lives of its peoples. A sustained effort was required to simplify and speed up customs and other formalities affecting travel across intra-Community borders, aiming, for example, to allow European citizens to travel as freely and cheaply as the inhabitants of the United States. Important steps could be taken in this direction by increased competition and the deregulation of air services (see also p 274).

Industrial Policy

The Common Agricultural Policy had succeeded in providing Europe with a strong agricultural base, and the best elements of the policy would be retained at the same time as efforts to attain a better balance between production and demand continued. In the next decade, however, equal priority needed to be given to creating the right conditions for the development of a vigorous, efficient and cost-effective industrial sector able to compete with the United States, Japan and the newly industrialised countries. Better co-operation on research and development would help avoid duplication and waste and in some cases governments could co-operate directly in order to encourage industrial activity at European levels as in the case of the European airbus, the ESPRIT programme on information technology (see p 117), and the JET nuclear fusion project (see p 182).

Britain endorsed the Commission's suggestion that the Community should look at possible programmes in telecommunications and biotechnology to see whether they would be more effective at the Community level, and emphasised the need to facilitate collaboration at the industrial level. 'Member governments must act to limit the administrative and legal impediments to risk-sharing and investment, in order to allow European firms to compete and co-operate in a way which will enhance their ability to match the performance of their competitors.'

The Environment

To create the right conditions for economic growth without due regard for the wider interests of the environment was not acceptable, the paper says. Many environmental problems required action going beyond the capabilities of individual member states, and these had to be tackled on the basis of a serious analysis of the scientific evidence and with due regard to industrial costs and efficiency. The Community had an important role to play, and Britain had suggested that decisions should be taken urgently to bring about the elimination of lead in petrol. It was also time for a programme of research aimed at finding solutions to the problems caused by acid rain (see p 266), and for controls on trans-frontier shipments of hazardous waste to continue to be developed.

Culture

At the cultural level the paper says that member states should examine whether more could be done to encourage the learning of other Community languages and to develop professional exchanges. Full access to member states' satellite broadcasting systems could help the process of cultural interchange in a practical way.

A Flexible Europe

The paper says that action undertaken within the Community framework should continue to be on a basis of equal rights and equal obligations. However, as the Community became larger and its membership more diverse, it could sometimes make sense for participation in new ventures to be optional. 'This should not lead to rigid distinctions between different groups of participants. That would be particularly disillusioning for our new members who expect to be joining a democratic and homogeneous Community. Where ventures are launched by member states with limited participation, it should be open to others to join in as and when they are able to do so.' The possibility for action financed by the Community or with Community law as its legal base needed to be examined before deciding to proceed on a more limited basis and the progress of all such work relevant to European integration had to be monitored and open for discussion in a suitable high-level forum.

External Relations

Through political co-operation, the paper states, the Community should aim for a common approach to external affairs. Many of the elements for a common external policy already existed. The Community was linked to other Western European countries through agreements with the European Free Trade Association, had a contractual relationship covering aid and trade with 64 developing countries under the Lomé Convention, and the common commercial policy governed its trade relations with the rest of the world. In addition, it had a network of association and co-operation agreements both with individual countries and with other regional groups such as the Association of South-East Asian Nations and the Andean Pact, while the growth of political co-operation on foreign policy issues had enabled Community member states to adopt common positions on world problems and to vote together in non-economic international bodies. 'Our aim for the future should be to bring about a greater coherence between these different elements. In that way a common external policy could be progressively achieved.'

Noting that the United States would remain central to European security and the management of East-West relations, and no less so in the management of the problems of the world economy and trade, the Government says that the Community had to ensure that Europe played a central role in all these matters. 'Europe must impress on the United States that unilateral American action, for example on technology transfers, extraterritoriality, unitary taxation and, above all, protection for United States industries, will put the success of Alliance consultation and co-ordination at risk. Equally we must be ready in Europe to make progress towards the liberalisation of our trading practices, and to play a full part in strengthening the GATT[1] trading system. Mechanisms for consultation and co-ordination between the Allies are already in place. What we need is the will on both sides to use them to get results: bilaterally, within the Alliance, and on behalf of the Community and its member states.'

On East-West relations, the paper observes that by the end of the century the Soviet Union could have increasingly serious economic difficulties and growing problems in Eastern Europe. 'At that stage more than ever, a coherent and persuasive West European voice will need to be heard on the management of East-West relations.' Europeans had their own interest in economic relations with the Soviet Union and Eastern Europe and this offered scope for a more co-ordinated approach on wider questions such as the encouragement of a more differentiated economic and social development in Eastern Europe. Such steps would strengthen the European political entity and enable it to act more effectively on major international issues.

The Community, the paper continues, should use its weight to influence the other major industrialised economies to shoulder their share of responsibility for the world economy – the United States by paying more attention to the international consequences of its domestic economic policies, and Japan by raising the level of its manufactured imports to one comparable with other industrial democracies. It should also act jointly with these major trading partners to promote the further liberalisation of international trade and to extend the open trading system, including a well-prepared new GATT trade round. This would bring the developing countries more effectively into the world trading system, and persuade the more advanced among them to take more responsibility for its good management. Although the Community's performance in encouraging development had been commendable, there was room for better co-ordination between member states, the Community and other donors to secure maximum political as well as developmental effectiveness from aid.

In the area of political co-operation, member states needed to show more political will to work together; to concentrate their efforts where their leverage was greatest and their interests most directly touched (for example in the Middle East and Africa); and to recognise that influence did not last if not backed by the necessary resources. 'Member states must take more seriously their solemn commitments to consult and take account of partners' views and work for common positions. The objective should be the progressive attainment of a common external policy.'

Defence and Security

Turning to defence and security, the paper says that the European pillar of the North Atlantic Alliance should be strengthened and European defence co-operation improved. Europe carried a heavy burden within the Alliance and its contribution was far greater than was understood in the United States (see p 204). The United States' strategic commitment, however, was an irreplaceable guarantee of Western security, but to preserve it and to ensure that their views were given due weight by the United States, the Alliance's European members had to find answers to a number of questions. These concerned, for example, the ability of European countries to take on a larger share of responsibility for their defence and the need to develop new technologies at a time of rising costs and resource constraints. Such problems had to be tackled jointly, either within the framework of the North Atlantic Alliance or through other openings like that provided by the Western European Union (see p 251). Similarly the general prospects for collaborative projects could 'be greatly improved by progress towards a more integrated European industrial and technological base, and by strengthening the Community's internal market'.

The Community's Institutions

Noting that several improvements could be made to the Community's institutions,[1] the paper

[1]The General Agreement on Tariffs and Trade.

[1]Under the Treaties setting up the Community, the Council of Ministers takes decisions, the European Commission puts forward policy proposals and executes the Council's decisions, and the elected European Parliament is consulted on Community legislation and debates the major policy issues. The office of President of the Council of Ministers changes in rotation every six months: Britain last held the office in 1981.

emphasises the importance of appointing individuals of high calibre to the European Commission – noting also that after enlargement a Commission of 17 might be too large for an efficient distribution of portfolios; suggests that the Presidency's effectiveness would be enhanced by greater co-operation between the Presidency in office and the preceding and succeeding presidencies; and proposes that each year the European Council should adopt a brief statement of priorities, with specific timings and targets, to form the basis for the Community's activities for the next 12 months. Likewise, the paper suggests that each year the Commission, in reviewing its legislative proposals, should weed out hopelessly blocked items.

Other improvements mentioned include the need for the European Council to avoid the role of court of appeal from the Council of Ministers, its true task being 'to provide strategic direction and political impetus for all areas of Community work and member states' co-operation'; and the need for the Council of Ministers and member states to keep the European Parliament better informed and to enable it to work in greater harmony with the Community's decision-making institutions.

Finally, on decision-making, the paper emphasises the importance of fully honouring the voting procedures of the Treaty of Rome,[1] particularly where unanimity was specified, and of allowing member states to insist that where a very important national interest was at stake discussions should continue until agreement was concluded. At the same time, they should be required in each case to set out their reasons fully.

ELECTIONS TO THE EUROPEAN PARLIAMENT

On 14 June elections were held for Britain's 81 seats in the European Parliament. In England, Scotland and Wales the 78 members were elected under the simple majority system of constituency representation and in Northern Ireland the three members were elected under the single transferable vote system of proportional representation.

In England, Scotland and Wales some 32·4 per cent of the electorate of over 40 million voted and the number of seats obtained by political parties was as follows:

Conservative	45
Labour	32
Scottish National Party	1
TOTAL	78

The percentage share of votes gained by the various political parties was as follows:

Conservative	40·8
Labour	36·5
Liberal-Social Democratic Alliance	19·5
Scottish National Party	1·7
Plaid Cymru	0·8
Others	0·7
TOTAL	100·0

Under the voting system in Northern Ireland, voters place in order of preference as many of the candidates as they wish. A quota is worked out representing the number of votes a candidate must have in order to secure election. In the election the quota was 171,330 and the Democratic Unionist, having received 230,251 first preference votes, was elected. All other candidates, including the Official Unionist with 147,169 first preference votes and the Social Democratic and Labour candidate with 151,399, were below the quota in the first count. The Official Unionist candidate and the Social Democratic and Labour candidate were elected at later stages of the count as the result of transfers from other candidates in accordance with voters' preferences. After transfers the final total for the Official Unionist candidate was 185,714 and that for the Social Democratic and Labour candidate was 183,256.

Britain and the Western European Union

Britain's views on the role of the Western European Union were outlined by Lady Young, Minister of State at the Foreign and Commonwealth Office, in a speech to the Union's Assembly on 19 June.

Background

In 1948 Britain, Belgium, the Netherlands, Luxembourg and France signed the Brussels Treaty providing for their collective defence. In 1954, after an abortive attempt to create a European Defence Community, the Treaty was modified to allow the Federal Republic of Germany and Italy to accede and a new organisation, Western European Union (WEU), was created to consider problems affecting European defence and security. The Union has a Council which meets at ministerial level (usually once every 12 months) and at permanent representative level (about ten times a year), and an Assembly of parliamentarians which meets twice a year for four days. The modified Treaty also provides the legal basis for the stationing of some 55,000 British ground and air forces on the European mainland in the Federal Republic of Germany.

Following a French initiative designed to seek ways of making better use of the WEU, a ministerial meeting of the Council took place in Paris on 12 June and discussed a paper entitled

[1]Article 148 of the Treaty provides for a system of weighted majority voting by the Council when taking decisions. Unanimity is required when an amendment is made to a Commission proposal already acted upon by the Council. Since 1966, however, under an arrangement known as the Luxembourg compromise, it has been the practice that, where a member state feels that its very important interests are involved, it may legitimately ask for discussion to continue until unanimous agreement is reached.

'Reactivation of the WEU' prepared by a Council working group. The Council decided to ask a working group to prepare more detailed proposals for ministers to consider at a meeting in Rome in the autumn.

Minister of State's Speech

Noting that the Assembly was the only parliamentary body empowered by treaty to discuss questions affecting European defence and security, Lady Young said that the British Government wanted to encourage an informed debate on common security and to work for concrete, balanced and verifiable measures of arms control and disarmament. The West was ready for dialogue with the Soviet Union and Britain believed that it was important to increase the range and frequency of contacts with the Soviet leadership to convince it of the West's good intentions and to find areas where there could be scope in the longer term for agreement and co-operation (see also pp 253-4). Dialogue was, however, not an end in itself since the West could only negotiate with the Soviet Union on the basis of firm defence and Western solidarity.

Lady Young said that the members of the WEU had an essential role to play within the North Atlantic Treaty Organisation (NATO) which would continue to be the cornerstone of Western security. The recent discussion on making the best possible use of the WEU was just one aspect of a broader debate on European co-operation and the need for Europe to find a more coherent voice in world affairs. Britain favoured making greater use of the WEU without encroaching on NATO. The Government's aim was to strengthen the Alliance and the European contribution to it without weakening transatlantic ties. There was, therefore, merit in deeper consultation on defence and security issues in the WEU Council and the Assembly had an important role in arousing public support for Western defence policies. The concerns of allies who were not WEU members had also to be met and there was a need to keep alive the possibility of discussions on security questions among the ten member states of the European Community within the framework of European political co-operation (see p 250). The WEU could also help its members to speak with a more cohesive voice and to inform the people of Europe and the Allies outside Europe about the European contribution to common defence. The European share of NATO expenditure, for instance, had risen from 23 per cent in 1969 to nearly 42 per cent ten years later. In addition, of the Alliance's readily available forces in Europe, its European members now provided 90 per cent of the ground forces, 80 per cent of combat aircraft and tanks, and 70 per cent of fighting ships (see also pp 203-4).

Commenting on armaments procurement, Lady Young emphasised Britain's commitment to more productive co-operation between European countries and welcomed the stimulus that the WEU could give in this direction. Britain was involved in numerous projects, including the Tornado aircraft (with the Federal Republic of Germany and Italy) and a new generation of anti-tank guided weapons (with France and the Federal Republic of Germany). The British Government believed that the Independent European Programme Group, to which all WEU members belonged, was playing an increasingly effective and important role as the main operational forum for handling such co-operation.

The modified Brussels Treaty remained important to Britain, Lady Young concluded, since it contained a far reaching commitment to mutual defence and was the legal basis for the stationing of substantial British forces on the European mainland. 'They make an essential and effective contribution to the forward defence of the Alliance in Germany, and to the security and cohesion of Western Europe. But more than this, the presence of these troops symbolises the historic choices Britain has made and the principles on which our security policy is based. Europe in turn needs the closest possible defence links with North America. And that alliance will only work if the countries of Europe work efficiently, responsibly and coherently within it. We in Britain are ready to play our part in this in the framework of the Western European Union, just as we do in other fora.'

British-Soviet Relations

On 1 and 2 July the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, visited Moscow for talks with Soviet leaders on East-West relations. In a speech given before an audience of several dozen members of the Soviet Government on 2 July, Sir Geoffrey stressed Britain's desire for a better understanding between the West and the Soviet Union.

Parliamentary Statement

Reporting to the House of Commons on 4 July (*Hansard*, Vol 63, No 185, cols 318-28), Sir Geoffrey said that he looked upon his visit to Moscow 'as one step in our long-term policy of promoting a better understanding between East and West, with the aim of increasing security at a lower level of arms'. The Soviet position on the resumption of nuclear arms talks (see pp 418-19, 1983), however, had shown no significant change, there being continued Soviet scepticism about the West's commitment to progress in the negotiations in Vienna, Geneva and Stockholm. He had told the Soviet leaders that Western governments were sincere in their desire for a better understanding between East and West and for agreements on arms control and that people in the West could not understand the Soviet refusal to resume nuclear arms negotiations. Sooner or later these problems would have to be settled by negotiation. The longer the Soviet Union stayed away from the negotiating table, the more difficult

they would become and the more the dangers and the costs would rise. In discussions with the Soviet President, Mr Konstantin Chernenko, he had pointed out that Britain found it impossible to understand 'the almost automatic rejection by the Soviet Union of Western proposals', and had urged him to recognise that all Western governments were earnest in their desire to see a resumption of nuclear arms negotiations and a return of the Soviet Union to the negotiations without delay.

On the Soviet Union's recent proposal for talks on arms control in outer space,[1] Sir Geoffrey said that, after specific confirmation from the United States, he had informed the Soviet leaders that their description of the United States response as negative and hedged about with preconditions was mistaken. He had urged them to set the matter beyond any doubt through confidential discussions with the United States, and to do what was necessary to ensure that the talks opened in September.

In discussions with the Soviet Foreign Minister, Mr Andrei Gromyko, Sir Geoffrey said that he had emphasised the widespread and deep concern that the Soviet Union was not honouring its human rights commitments under the Helsinki and Madrid agreements (see pp 324-8, 1983), and that this represented 'a real obstacle to the creation of lasting trust between East and West'. The cases of Dr Sakharov and other leading Soviet dissidents were important examples of the Soviet failure in that respect. Sir Geoffrey said that he had also discussed with Mr Gromyko a number of international questions including the Iran-Iraq war, the Middle East, Southern Africa, Poland and Afghanistan. 'I stressed in particular the need for Soviet withdrawal from Afghanistan and for a peaceful settlement, as called for in five successive resolutions of the United Nations General Assembly.'

Concluding, the Foreign and Commonwealth Secretary said that he had not expected any rapid results from his talks and was not surprised by the disappointingly negative nature of the Soviet response. He hoped, however, that his visit would lead to more discussions and exchanges with the Soviet Union and he had invited Mr Gromyko to visit Britain in 1985. 'It is important to sustain the search for improved relations between East and West on a realistic and long-term basis, and for real progress to be made on arms control. Neither we nor our Allies intend to take no for an answer.'

[1]On 29 June the Soviet Union proposed that talks with the United States should open in Vienna in September aimed at banning the introduction and deployment of all types of weapons in space and the prohibition of the development and deployment of space weapons, including anti-satellite systems. Responding on the same day, the United States Government, after pointing out that the militarisation of space had begun with the advent of ballistic missiles, said that it was prepared to meet the Soviet Union in September both to discuss the resumption of talks on reducing strategic and intermediate-range nuclear weapons and to seek agreement on feasible negotiating approaches which could lead to verifiable and effective limitations on anti-satellite weapons. On 1 July the Soviet Union rejected this response as an 'attempt to advance preconditions for talks'. On 2 July a United States spokesman said that the United States still wished to attend a meeting in Vienna in September to discuss the proposals.

Answering questions, Sir Geoffrey said that he regretted that large sections of his Moscow speech had been censored or not been reported in the Soviet press, but felt certain that its text would be read by many beyond its immediate audience. He had also raised with the Soviet authorities their refusal to allow the planned broadcast by the British Ambassador on the Queen's Official Birthday[1] and, at the same time, had drawn attention to the need to improve communications between the East and the West and, above all, between the West and the Soviet Union and its people.

Foreign Secretary's Speech in Moscow

Sir Geoffrey said that he had come to Moscow in order to create a better understanding between the West and the Soviet Union and to widen the process of dialogue and contact that had begun in Helsinki in 1975. The sacrifices of Britain and the Soviet Union in the second world war had not been in vain and he was convinced that the peace enjoyed by the European continent during the past 40 years could be maintained. Britain agreed with the communiqué of the recent summit of the Council for Mutual Economic Assistance (CMEA – held in Moscow from 12 to 14 June) which had stated that no world problems, including the historic dispute between socialism and capitalism, could be resolved militarily.

New weapons and new technologies, Sir Geoffrey observed, were making security a more complex and global question and, as in the past, no country or alliance could achieve absolute security. Its achievement by one country would mean absolute insecurity for another. The establishment of a stable equilibrium and a reduction in the number of weapons on both sides were a necessity since the desire for greater prosperity could never be achieved if the development of ever newer and dearer weapons continued: 'There are therefore good reasons of economics and common sense for agreeing to beat our swords into ploughshares.'

The area of greatest mutual ignorance between Britain and the Soviet Union concerned knowledge of each other's intentions, and this, in a nuclear age, Sir Geoffrey warned, could have tragic results for civilisation. In June 1982 the members of the North Atlantic Treaty Organisation (NATO) had stated that none of their weapons would ever be used except in response to attack and this important pledge had recently been reaffirmed by NATO foreign ministers (see p 205). After the recent CMEA summit the Soviet Union had stated that there was no more important task than that of safeguarding world peace and averting nuclear catastrophe and that if the principles of equality and equal security were strictly observed, the nuclear arms build-up could be halted. If the Soviet Union meant what it said, the gap between both sides' intentions was not as wide as was

[1]In recent years the Soviet Union has allowed ambassadors to make brief television addresses to the Soviet people on the occasion of their countries' national days. On 16 June, the date of the Queen's Official Birthday, the British Ambassador in Moscow, Sir Iain Sutherland, was due to make such a broadcast. The Soviet authorities, however, demanded two cuts in the text and cancelled the broadcast when Sir Iain refused to accept them.

commonly believed. 'We for our part are all in favour of an honest, equal and constructive dialogue. Let us talk frankly about our plans: let us turn our joint will for peace into concrete action.'

Opportunities to tackle some of the specific problems of security included the Stockholm conference on security in Europe (see pp 48-9), where there was a real chance of agreeing mutually beneficial measures that would reassure both sides and give more substance to the shared commitment to the non-use of force; the Vienna talks on mutual and balanced force reductions where differences over the balance of forces had to be resolved; and in Geneva where the elements for a comprehensive and fully verifiable ban on chemical weapons were on the negotiating table (see pp 79-80). However, noting that the control of nuclear weapons, the most destructive of all, was not being discussed anywhere at the moment, Sir Geoffrey said that there was a need for an early resumption of talks and that the Soviet Union would find the United States ready to negotiate at any time without preconditions.

The Soviet Union and the West had legitimate interests in events beyond their borders, especially since they both had an overriding interest in international stability. Both sides had to try to ensure that regional conflicts did not occur, and that, if they did, they were not made worse by outside interference. This was an era in which an active East-West dialogue could be helpful; both sides could establish each other's interests and concerns and both could and had to seek ways of co-operating to reduce regional tension. One regional issue that acutely concerned the Third World, as well as East and West, was Afghanistan: Britain believed that there could be a peaceful solution which took account of the Soviet Union's legitimate security interests, but that this required the people of Afghanistan to be free to express their views.

Turning to economic issues, Sir Geoffrey emphasised that Britain and the Soviet Union faced the same challenges of making industry more efficient and introducing new technology to increase *per capita* output. Both countries also recognised the importance of increased trade. As the Madrid concluding document had pointed out, increased trade was a useful way of adding substance to East-West relations and there was great scope for this in the case of Britain and the Soviet Union.

On human rights, Sir Geoffrey said that all the signatories of the Helsinki Final Act were committed to respect the diversity of religion, culture, language and tradition. Governments had to protect the rights of individuals, and the Soviet Government was not seen to be acting in this field in accordance with the obligations it had itself undertaken. 'This surely is a field in which deeds rather than words should be the guiding principle. It is only by deeds that opinion will be convinced. That is the best foundation for real trust and confidence between East and West.' Governments could also play a constructive role in helping to reconcile wide differences of culture, tradition and behaviour by assisting the spread of information and the fostering of more personal contacts.

Britain and Nigeria: Diplomatic Relations

Britain has expelled two members of the Nigerian High Commission in London and said that it would be inappropriate for the High Commissioner, who had been recalled to Nigeria, to return from Lagos. Nigeria has retaliated by requesting the departure of Britain's High Commissioner in Lagos and ordering two other British diplomats to leave the country.

The expulsions followed the Nigerian Government's refusal to allow members of its High Commission in London to be interviewed by police investigating the attempted kidnapping of Mr Umaru Dikko, a former Nigerian minister and brother-in-law of ex-President Shagari. Before flying to Lagos for consultations with his Government, the Nigerian High Commissioner, Major-General Haldu Hananiya, denied any High Commission or Nigerian government involvement in the incident, which is regarded by Britain as a very serious breach of diplomatic privilege.

The Kidnapping of Mr Dikko

Mr Dikko, a former Minister of Transport in the Government of President Shagari until the latter was ousted in a military coup on 31 December 1983, was taken by force from his London home on 5 July 1984. Later on the same day Mr Dikko was discovered unconscious and heavily drugged, together with one other person, in a crate at Stansted Airport, north-east of London; a second crate was found to contain two more persons. Members of the Nigerian High Commission were at the airport at the time and the opening of the crates by police was witnessed by a Nigerian diplomat, Mr Okon Edet. A total of 17 people, including the remaining three found in the crates, and the crew of an aircraft which had been due to leave for Lagos, were arrested and questioned by police; none claimed diplomatic immunity. Israel has denied that three Israeli nationals – who were taken into custody and later charged, along with one Nigerian citizen, with kidnapping and with administering drugs with intent to kidnap – have any present or past official connection with any Israeli state institution.

The two crates had been about to be loaded on to a special Nigeria Airways cargo flight to Lagos. Explaining why they had aroused suspicion, the Home Secretary, Mr Leon Brittan, told the House of Commons on 6 July (*Hansard*, Vol 63, No 187, cols 609-17) that the crate containing Mr Dikko had been addressed to the Ministry of External Affairs, Lagos, from the Nigerian High Commission, London, but that it had not been accompanied by any official document showing the status of the courier and the number of packages constituting the diplomatic bag, as required by article 27 (5) of the Vienna Convention on Diplomatic Relations; nor did either crate bear the normal visible markings of a diplomatic bag. He added that the Nigerian High Commission had not contended for a single moment that the crates

were diplomatic bags in any sense, and they had accordingly been opened.

Later on 6 July the Nigerian High Commissioner was summoned to the Foreign and Commonwealth Office and informed by the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, that the British Government was taking a very serious view of the developments at Stansted Airport. In view of the High Commissioner's denial that the Nigerian Government or High Commission had been involved in the incident, Sir Geoffrey said he expected the fullest co-operation from the Nigerian authorities in the investigations that would now be made, including a waiver of diplomatic immunity if necessary in order to ensure that justice was done. He also delivered a strong protest against the detention of a British Caledonian passenger aircraft in Lagos, for which there was no possible justification, and demanded its immediate release.[1]

Foreign Secretary's Statement

Informing the House of Commons on 12 July (*Hansard*, Vol 63, No 192, cols 1366-73) that police enquiries had disclosed evidence which appeared to implicate members of the Nigerian High Commission, and that the Nigerian Government had declined to comply with Britain's request to allow police to interview members of its staff, Sir Geoffrey said he had told the High Commissioner on 11 July that, in the light of the circumstances he had described, a counsellor, Mr Peter Oyedele, and an attaché, Mr Okon Edet, should leave the country within seven days. The High Commissioner had since been recalled by his Government for consultations. Replying to a question, Sir Geoffrey said that in view of the fact that the full extent of the High Commission's involvement in the incident had not been established, it would be inappropriate for the High Commissioner to return to Britain.

The present situation, Sir Geoffrey stated, was not of Britain's making and it was to be hoped that these events would not inflict lasting damage to Britain's long-term relationship with Nigeria, a Commonwealth country with which it had had good relations over many years. But it was not possible to behave as if this incident had not happened, and the Government was bound to take the gravest view of any evidence which appeared to implicate members of diplomatic missions in serious crimes in Britain. The Nigerian Government had denied responsibility but, without the police being able to question members of its High Commission, it would not be possible to reach a conclusion.

On the possibility of Nigerian reprisals, the Foreign Secretary said the Government saw no reason for the Nigerians to take or propose retaliatory action, but, if retaliation were taken, Britain would be obliged to reconsider the matter.

Nigerian Response

Later on 12 July Nigeria announced that it was expelling two British diplomats, who had been given one week to leave the country. In a statement on the same day, Sir Geoffrey Howe said the expulsions were totally without justification: the two members of the British High Commission had not been implicated in any illegal acts in Nigeria, and this was clearly a case of tit-for-tat and was much to be regretted.

On 13 July Nigeria requested that the British High Commissioner in Lagos, Mr William Hamilton Whyte, should be recalled for consultations in London. Although it could see no justification for this, Sir Geoffrey Howe announced on 15 July that Britain had agreed to the request in order to avoid a further deterioration in British–Nigerian relations.

While Nigeria claims to have formally asked for the return of Mr Dikko to Nigeria to answer questions on his activities as a former minister, the British Government has stated that it has received no request under the provisions of the Fugitive Offenders Act of 1967.[1]

[1]The aircraft, which had been recalled to Lagos on 5 July shortly after take-off, was allowed to resume its flight to London on 7 July, some time after Britain had allowed the Nigerian aircraft held at Stansted to leave with its crew and the remainder of its cargo.

Britain and the Commonwealth Caribbean

The importance Britain attaches to its relations with Commonwealth Caribbean countries is emphasised in a government White Paper published in June.

The White Paper, which is the Government's response to a report of the House of Commons Foreign Affairs Committee concerning the 1983 crisis in Grenada,[2] also provides information on Britain's policy at the time of the crisis (see pp 362-8, 1983) and on British assistance to Grenada.

Britain's Commitment to the Caribbean

Stressing the importance it attaches to the Caribbean region and the considerable role played there by Britain, the Government says that its policy is designed 'to foster political stability and economic development in, and to maintain and promote good relations with, all the countries of the Caribbean'. In so doing, it has long concentrated its efforts on Commonwealth Caribbean countries, as well as on its remaining dependencies, and shares their wish for the maintenance of their strong political and other links with Britain. Although the nature of Britain's relationship with these countries has changed since their independence, this does not mean that it has withdrawn or is withdrawing from the area. In recognition both

[1]This Act makes provision and sets out the conditions for the return from Britain to other Commonwealth countries and British dependencies of persons accused or convicted of offences in those countries.

[2]*Grenada: Observations by the Secretary of State for Foreign and Commonwealth Affairs*. Cmnd 9267. HMSO, £2·25. ISBN 0 10 192670 7.

Grenada. Second Report from the House of Commons Foreign Affairs Committee. HMSO, £8·40. ISBN 0 10 222684 8.

of its unique relationship with the Caribbean and of the vulnerability of small island states to subversion or attack, Britain continues to place a high priority on training and advice for their military, security and police forces. It also provides them with considerable economic, trade and technical assistance.

Noting the increasing United States interest in the area, the Government says that Britain and the United States share the objectives of promoting political stability and economic development. It believes that their interests can be pursued successfully in parallel and that an increased United States involvement need not inhibit Britain from maintaining a distinctive policy towards the Caribbean. The Government will seek to strengthen existing arrangements for co-ordination with the United States and other Western partners.

Political Relations

Britain maintains six High Commissions and four subordinate missions – more posts than the rest of the European Community put together – with 71 Diplomatic Service staff in the Commonwealth Caribbean. In addition, contact is maintained through regular ministerial visits; in 1983 and 1984 there were 18 ministerial visits to London and eight visits by British ministers to the region.

Trade and Aid

Because of the small size of markets in the region as a whole, British trade with Commonwealth Caribbean countries is relatively modest, exports in 1983 amounting to 0·6 per cent of Britain's exports or, in most cases, to about 8 to 12 per cent of these countries' imports. Nevertheless, the Government attaches importance to these markets; in 1983 Trinidad and Tobago was Britain's fourth largest market in the western hemisphere, ahead of Mexico and narrowly second to Brazil in Latin America and the Caribbean. Active support is given to bodies promoting trade with the region such as the West India Committee and the West Indies Trade Advisory Group.

Britain's bilateral aid to the Commonwealth Caribbean amounts to between £25 million and £30 million a year and has done so for some time despite the constraints generally on public expenditure and pressures on the aid budget from other needy regions. In *per capita* terms Britain spends on average about four times as much on aid to independent Caribbean countries compared with that to African Commonwealth countries and about 40 times as much compared with that to the South Asian sub-continent. Britain also contributes about £1 million a year to regional bodies such as the Caribbean Development Bank,[1] the Inter-Agency Resident Mission which assists development planning, and the Windward Islands Banana Growers Association which provides central services and research for the industry. In addition, Britain supports other multilateral aid donors active in the region, particularly the International Bank for Reconstruction and Development and the European Community. The British share of the £111 million currently earmarked for the Caribbean by the European Community for the period 1981-85 is 18 per cent: this aid is given under the terms of the Lomé Convention (see p 248, 1983) which all the Commonwealth Caribbean countries have signed. There are also special arrangements concerning bananas, sugar and rum. Britain imports almost the entire Windward Islands banana crop duty- and quota-free and the industry, which accounts for over 50 per cent of the domestic exports and for a high proportion of employment in these islands, would be unlikely to survive without this protection. Throughout its membership of the European Community Britain has continued to insist upon a fair deal for Commonwealth sugar producers.

As part of Britain's assistance for overseas students, some 280 students from Commonwealth Caribbean countries were supported in 1983-84 under schemes funded by the British Government.

[1]Britain's contributions to the Caribbean Development Bank take the form of the purchase of shares to finance the Bank's ordinary capital resources and a commitment to the Special Development Fund. Britain holds shares to the value of over $72 million, of which nearly $18 million are paid-up shares. The current British commitment to the Special Development Fund is nearly £21 million, of which over £9 million has been paid.

Security of Small States

Noting that the question of the security of small states throughout the world is under study by the Commonwealth Secretary-General, the Government agrees that closer regional co-operation should be fostered. Britain has encouraged the formation of the Regional Security System in the Eastern Caribbean[1] in 1982, and has supported it by providing advice and training. At present Britain spends over £1·5 million a year on military training for Caribbean countries. Other assistance has included expert advice for the coastguard services in Barbados and Saint Vincent, funds for a regional police training school in Barbados, and, in the last five years, the training of 187 policemen from Caribbean countries.

Grenada

On Grenada, the Government emphasises Britain's support for the island's interim administration in its tasks of restoring democracy and reconstructing the economy, and looks forward to the return of an elected government. (The Governor-General, it notes, remains committed to elections before the end of 1984.) Commonwealth governments have a potential role to play in assisting the Grenadian administration in these tasks and thereafter in affording the duly elected government the recognition and co-operation upon which it will depend. Britain is already playing a full part in this process.

Britain has made clear its readiness to provide Grenada with development assistance in areas in which it is well placed to help. Nearly all the £750,000 grant announced in November 1983 has been allocated (mainly for electricity and water supplies, public works, and training and re-equipping the police force), and a £1 million

[1]Consisting of Barbados, Antigua and Barbuda, Dominica, Saint Lucia, and Saint Vincent and the Grenadines.

interest-free loan was announced in February 1984. Advice and assistance has also been provided for the country's education, legal and information services.

The Crown Agents

Information about the work of the Crown Agents for Oversea Governments and Administrations in 1983 is contained in the Chairman's Review and Accounts published in May.[1]

The Agents, who celebrated their 150th anniversary in March 1983, are a statutory corporation providing financial, professional and commercial services for almost 100 governments and over 300 public authorities and international bodies. These include procurement and engineering, money management and investment, recruitment of staff and other personnel services, consultancy and training services, shipping and insurance, negotiating contracts for the production and supply of currency and stamps and their sales for collectors, and help in administering Britain's bilateral aid to developing countries. They are also involved in the bilateral aid programmes of other countries as well as in negotiations with multilateral aid agencies; this work now represents a substantial component of their business.

Review of Activities in 1983

The year saw a significant increase in the value of new orders (worth in total some £168 million), which for the first time in well over a decade exceeded in real terms the value of goods despatched. The largest single category of orders was transport equipment, other significant areas being engineering goods, medical and veterinary supplies, textiles and paper. Orders included additional purchasing stemming from new types of project services developed in recent years, especially projects funded by multilateral aid agencies and projects attracting export credits.

Project management services also expanded, three-quarters of this work being funded from non-British sources, while more than 200 students from 45 countries attended courses run by the Agents in Britain and secondments were arranged to a wide variety of private industries and public sector departments. The Agents' recruitment service placed over 200 people in posts overseas, almost twice the number placed in the previous year.

A newly formed subsidiary, the Crown Agents Philatelic Corporation, was set up to handle sales of stamps to the North American market and has already been accepted by a number of new clients as their marketing agency for sales of stamps and coins in the United States of America.

In Africa, where the growth performance of many countries was adversely affected by low commodity prices and severe drought, dependence on aid increased, and a significant proportion of the Agents' work was therefore concerned with achieving higher disbursement rates for balance of payments support and programme aid. Partly because of these new activities, combining buying skills with technical back-up, and partly because of increasing management involvement in sectors which continue to attract project funds, such as agriculture, transport operations and water supplies, the Agents expect to maintain the expansion of their operations in Africa. In 1983 these embraced major projects in 16 countries, including irrigation schemes in Kenya and Ethiopia, improvements to communications services in The Gambia, Ghana, Mozambique and Nigeria (roads), and in Kenya, Malawi and Zimbabwe (railways), and agricultural development in Mozambique, Uganda and Zimbabwe.

A business strategy review instituted in 1982 resulted in new opportunities for the Agents in the Asian and Pacific countries, where partnerships were built with local institutions and emphasis was placed on the effective transfer of technology to increasingly sophisticated markets in dynamic economies. This afforded some measure of compensation for the loss of the investment management business in Brunei (see below). 1983 was also the first full year of operation of the new Bangkok office which has developed links with regional multilateral aid donors, especially the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the regional delegations of the European Community, and agencies of the United Nations. In Asia and the Pacific, as in Africa, the Agents' work was increasingly multi-disciplinary and embraced major projects in 19 countries, including power and water supply schemes in Hong Kong, India, Indonesia, Malaysia, Maldives and Sri Lanka; agricultural development in Nepal, Thailand, Solomon Islands (forestry) and Papua New Guinea (fisheries); and improvements to railway communications in Bangladesh, Hong Kong and Sri Lanka. The emergence of the Association of South-East Asian Nations (ASEAN) and other newly industrialised countries of the region as manufacturing exporters provided the opportunity for the Agents to supply developing countries world-wide from these countries, whilst continuing to provide the latter with services to aid their own development. For instance, the Agents' long-standing involvement in helping to improve quality standards for rural handpumps in India was extended and these were now being exported to water-supply projects all over the world. In 1983 similar reciprocal opportunities were opened up for the first time with the People's Republic of China, the Agents purchasing from China a variety of goods through Hong Kong and conducting for China an ESCAP-sponsored port asset management course. This resulted in further invitations to visit Chinese institutions, which it is hoped will enable the Agents to widen the scope of their connections there.

In Latin America and the Caribbean the Agents were engaged in projects in Anguilla, Belize, Brazil, the Cayman Islands, Guyana, Honduras, Jamaica, Saint Lucia and Trinidad and Tobago. In the Falkland Islands, they were involved in a road

[1]Available free from the Crown Agents, 4 Millbank, London SW1P 3JD.

rehabilitation programme, an electricity supply study, a water-supply study and scheme, and procurement of livestock.

In the Middle and Near East, greater public expenditure restraint during the year had serious effects on the more populous and larger countries which are the main users of the Agents' services. However, the disappointing overall level of activity by the Agents in part reflected the simultaneous completion of several large undertakings, notably two highways projects in the People's Democratic Republic of Yemen and three supply advisory projects in the Sudan. Other work, mainly in the supply and quality assurance field, was nevertheless maintained in more than 20 countries in the region, and increasing commitments in Pakistan encouraged the establishment of a representative office in Islamabad which was due to open in 1984. Major projects in the region included improvements to Gibraltar's water supply, transport and communications in Pakistan and Sudan, a water and power development programme in Pakistan, and air-conditioning installation and renovation in the People's Democratic Republic of Yemen; other projects were in progress in Bahrain, Jordan, Lebanon, Oman, Saudi Arabia, Somalia, the United Arab Emirates and the Yemen Arab Republic.

During 1983 the Crown Agents administered 212 loans and grants with a value of £2,000 million on behalf of the British Government; of these, 201 were managed by them on behalf of recipients of British aid. Investment funds handled for clients in international financial markets amounted to the equivalent of over £1,000 million; the substantial decrease in comparison with the preceding year was accounted for by the withdrawal by the Government of Brunei of the bulk of its funds under the Agents' management.

Restructuring

Brunei's decision to withdraw its funds was born of its desire to set up a national investment agency prior to becoming fully independent (see pp 13-14), and this in no way, the Brunei Government made clear, reflected on the Agents' investment performance. The resulting loss of income made it impossible for the Agents to meet the financial requirements of the Crown Agents Act 1979 (see pp 48, 120, 1979), and, in order to restore their viability as soon as possible and to reduce the capital debt they had assumed in 1980, the Agents' existing programme of restructuring was accelerated. A detailed plan was submitted to the British Government in September 1983, and in February 1984 the Government broadly endorsed the Agents' proposals with a view to privatisation in due course (see pp 82-3). The restructuring is designed to enable the Agents to be more flexible in providing both traditional and new services to clients without affecting their impartiality and integrity.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Economy

An explanation of the roles of macroeconomic and microeconomic policy in achieving the goals of defeating inflation and creating jobs was given by the Chancellor of the Exchequer, Mr Nigel Lawson, in the Mais Lecture at the City University, London, on 18 June. Pointing to the increased profitability of companies and the abolition of market distortions that had taken place, the Chancellor emphasised that both were essential to Britain's continuing economic recovery.

The Chancellor, looking back to the 1981 Mais Lecture, which had been delivered by his predecessor, Sir Geoffrey Howe (see pp 170-1, 1981), said he was struck by three things. First, policy during the intervening years had 'been unequivocally vindicated by events'. The annual rate of inflation had been reduced to 5 per cent – the lowest since the 1960s – and Britain was now embarking on the fourth year of a sustained economic recovery during which output had already passed the pre-recession peak. Secondly, the approach to economic policy outlined by Sir Geoffrey on that occasion remained an accurate description of current policy. Thirdly, despite the continuity of policy and its undoubted achievements, there was confusion in many quarters over the direction of policy at the moment. 'It is important to dispel that confusion, for it rests upon a fundamental fallacy.'

The Roles of Macroeconomic and Microeconomic Policy

Mr Lawson explained that the conventional wisdom since 1945 had been that unemployment was a result of inadequate economic growth. Growth was to be brought about by macroeconomic policy – in particular by the fiscal stimulus of a budget deficit with monetary policy assigned a passive role. Inflation, on the other hand, was regarded as a matter to be dealt with by microeconomic policy – 'the panoply of controls and subsidies associated with the era of incomes policy'.

The Government's economic policy was based on a proper distinction between the objectives of macro- and microeconomic policy 'but the proper role of each is precisely the opposite of that assigned to it by the conventional post-war wisdom. It is the conquest of inflation, and not the pursuit of growth and employment, which is or should be the objective of macroeconomic policy. And it is the creation of conditions conducive to growth and employment, and not the suppression of price rises, which is or should be the objective of microeconomic policy. Needless to say, this fundamentally important role reversal implies a major change in the nature of the macro- and microeconomic policies themselves. Instead of monetary policy simply accommodating increased budget deficits (except when periodic sterling crises brought the process to a temporary halt), fiscal policy has to be in harmony with declining monetary growth. And instead of microeconomic policy consisting of increasingly numerous forms of intervention and interference with market forces, its role is now seen as removing controls and allowing markets to work better.'

The Government was simultaneously pursuing complementary macroeconomic and microeconomic policies. The former was aimed at reducing inflation, with the ultimate objective of stable prices, and the latter was designed to make the economy work better, thus generating more jobs.

United States Experience

The Chancellor pointed to the recent success of the United States in creating jobs. Whereas the number of people in work had fallen in Western Europe over the past ten years, the number had risen by over 15 million in the United States. This was 'almost entirely due to the more efficient, competitive, innovative and adaptive labour and goods markets in the United States. Over the past ten years, the workers of Western Europe have seen their real earnings rise by around an eighth; over the same period, their American counterparts have been prepared to accept a small reduction in real earnings. Relatively free markets, the spirit of enterprise, and workers who prefer to price themselves into jobs rather than out of them are a powerful engine of employment.'

The Medium-term Framework

The cornerstone of the Government's macroeconomic policy was the medium-term financial strategy (see p 113, 1980). Not the least of its virtues had been the discipline it had imposed on the Government itself. A medium-term approach had been vital in conditioning expectations so that the private sector could see the degree of adjustment necessary and the approach that the Government would take; in a market economy the private sector was bound to take into account the

expected behaviour of government when deciding on its own behaviour.

An explicit aspect of current policy was that it would not accommodate inflationary pressure. Accordingly, the financial strategy had set out a nominal framework designed to reduce gradually the rate of growth of money output and to improve the division of that growth between real output growth and inflation. 'It was clear that unless and until the private sector believed that the Government meant what it said, inflation would be slow to come down and the transitional impact on output prolonged. An explicit medium-term approach has been a necessary part of earning that credibility ... [which] now exists, and serves to buttress the medium-term strategy as a clear guide to the intentions of government.'

Monetary Policy

Policy recognised the fact that, in anything other than the short run, inflation was a monetary phenomenon. Sustained inflation could occur only if governments pursued fiscal policies that accommodated it. A central aim of the Government had been to maintain monetary conditions that were consistent with a steady fall in inflation. Monetary developments had required – and would continue to require – intelligent interpretation and the exercise of discretion. Intermediate targets would go on playing a vital part in the macroeconomic strategy.

Mr Lawson stressed that both narrow and broad monetary measures (see pp 125-6) had equal weight in guiding policy decisions. The Government would also continue to pay attention to other financial indicators such as the exchange rate. 'By maintaining appropriate monetary conditions, and exercising judgment in the assessment of these conditions, the rate of growth of money gross domestic product [GDP] has been brought down from about 15 per cent in 1978-79 to about 8 per cent last year. This is broadly the pattern that was envisaged when the medium-term financial strategy was first launched. Monetary policy has led neither to overkill nor to the accommodation of inflation.'

Fiscal Policy

Successive versions of the financial strategy had set out a framework within which monetary growth could be brought down without 'excessive reliance on interest rates'. Each version had included projections of a path for the public sector borrowing requirement (PSBR) which was considered to be consistent with the monetary objectives at acceptable interest rates.

Although the full consequences of an excessive PSBR might take time to be felt (because even substantial changes in the PSBR might influence the total stock of government borrowing only slowly), the long-term consequences would tend to be foreseen by the financial markets and expectations changed accordingly. Thus, even relatively small divergences in the behaviour of the PSBR from its trend could have major effects on interest rates. Structurally high budget deficits were likely to be associated with high interest rates.

Exchange Rate Policy

Government intervention in the foreign exchange market had been restricted to occasions when there was a risk of disorderly conditions. Movements in the exchange rate could sometimes be a useful guide to monetary tightness or looseness. However, it was important to know why the exchange rate had been moving: if it was a reflection of overseas policies, the case for taking it into account was weaker than if it seemed to reflect domestic monetary conditions.

The Chancellor distinguished between a loss of international competitiveness caused by a rise in the exchange rate and one caused by an increase in domestic costs relative to those of other countries. Exchange rate appreciation might have adverse effects on net exports but, because of the fall in the rate of inflation, a beneficial impact on domestic spending; the effects on GDP were thus ambiguous. An increase in relative domestic costs, however, would harm net exports and also, because of the higher rate of inflation, domestic spending. 'The plain fact is that the recession of 1980-81 owed much more to the unwarranted cost increases in 1979-80 than to the rise in the exchange rate. Implicitly, many critics argue that exchange rate policy should have been operated to accommodate that wage pressure. But that would have flown directly in the face of the declared strategy to bring down inflation. A refusal to accommodate that wage pressure was an essential part of changing the implicit belief of the private sector that government would accommodate whatever action it chose to take.'

Stable Prices

The Government's commitment to the further reduction of inflation was well understood. 'Inflation has fallen further and faster than any of our critics thought possible when we first put the strategy in practice. But from now on progress is bound to be slower.' An annual rate of inflation of 10 per cent and above was essentially an aberration confined to the 1970s; 'fortunately, thanks to the policies embarked on in 1979 it never persisted long enough to become embedded in expectations or a part of our economic bloodstream'. Low levels of inflation had been the norm both in Britain and throughout the industrialised world, although stable prices had been experienced only fleetingly in Britain over the last 50 years. The attainment of price stability 'implies fighting and changing the culture and the psychology of two generations. That cannot be achieved overnight. But let there be no doubt that that is our goal.'

Enterprise

In microeconomic policy too, the Government was seeking 'to change a psychology, to change a business culture'. The abolition of controls on pay, prices (see pp 162-3, 1979), dividends (see p 196, 1979), foreign exchange transactions (see p 162, 1980), bank lending, hire purchase (see p 274, 1982) and industrial building (see p 28, 1982), as well as being beneficial in itself, would also bring even greater benefit to Britain 'as part of the process of rediscovering the enterprise culture'.

This process would be carried further by progressive reductions in the burden of taxation, provided that public expenditure continued to fall as a proportion of GDP, and by continued privatisation (see pp 376-9, 1983) and the abolition of monopolies and restrictive practices – not least in the City of London (see p 254). The labour market was also vitally important; labour legislation already enacted (see pp 21-3, 1980, and 78-80, 1982) and that now before Parliament (see pp 436-8, 1983) represented 'a long overdue start in a key area of the national economy'.

Profitability

At the heart of the enterprise culture there had to be a commitment to profitability. The proposed changes in corporation tax in the 1984 Budget (see p 122) should reinforce this. Already, one of the most encouraging aspects of the upturn was the sharp recovery in company profits: gross trading profits of industrial and commercial companies, net of stock appreciation, had risen by about two-fifths between 1981 and 1983 and would be significantly higher in 1984. The Confederation of British Industry had forecast that the net real rate of return before interest and tax at current replacement cost might exceed 8 per cent in 1984 for non-North Sea industrial and commercial companies (compared with 4 per cent in 1981). Although this would be the highest since 1973, it was well below the returns of 10 to 12 per cent that were the norm during the 1960s: 'the trend is in the right direction, but it still has further to go'.

Jobs

'It is the rediscovery of the enterprise culture, operating within the framework of markets progressively liberated from rigidities and distortions, that will provide the only answer to the curse of unemployment, and the only true generator of new jobs', Mr Lawson explained. Although the numbers in work were now rising, unemployment had yet to fall. However, this was no reason to accept that rising unemployment was inevitable in today's technological world: it was not, as the United States experience clearly showed.

It was important to recognise that a very significant part of the increase in unemployment over the past five years represented merely the emergence of the previously disguised unemployment of the second half of the 1970s when overmanning – especially in manufacturing – was rife. In 1979 productivity in British manufacturing was well below that of the rest of Europe and even further below that of the United States. The gap was now being closed, with an average annual increase in manufacturing productivity of some 6 per cent for the past three years, with little sign of slackening. 'In the short term this represents a very painful adjustment. But in the longer term it will mean not only higher living standards, but higher levels of employment, too.'

Conclusion

The Government's economic policy 'consists of seeking, within an explicit medium-term context, to provide increasing freedom for markets to work within a framework of firm monetary and fiscal discipline. It stands in contrast to the post-war trend towards ever more *ad hoc* interference with free markets within a context of increasing financial indiscipline. That was the road that led to stagnation, unemployment – and above all accelerating inflation.' The Government was showing that trade union power could be curbed within a free society and that inflation could be eradicated within a democracy. 'The growing success of that demonstration is of the most fundamental importance to us all.'

Financial Markets

The importance of innovation and evolution by financial institutions as a condition of their continued success was underlined by the Chancellor of the Exchequer, Mr Nigel Lawson, in a speech in London on 3 July. Profound changes were taking place in financial centres round the world as well as in Britain. Change should foster efficiency and competitiveness and at the same time provide adequate protection for investors. Building societies, now a major force in Britain's economy, would be encouraged to introduce a new element of competition without jeopardising their reputation for reliability; a consultative document on their future would be published shortly.

Introduction

Effective financial markets were at the heart of any successful free enterprise economy. The City of London had fulfilled the role admirably and provided an example to the world. 'But for continued success in the provision of financial services it is vital, as in any other business, to innovate and evolve.'

The structural changes now taking place in these markets were 'profound and pervasive'. They were not confined to London: the revolution in financial services was well under way in the United States, Japan and other Far Eastern markets, and the European financial centres. New financial enterprises, linking quite different business activities – banks, insurance companies, merchant banks and stockbrokers – were setting the pace of change.

'Exciting innovations' were taking place in Britain's financial markets. The Unlisted Securities Market (see p 372, 1980) had provided many small and medium-sized companies with readier access to equity capital while new markets in futures dealings (see p 372, 1980; pp 167 and 327-8, 1982; and p 99) and options contracts (see p 99) were enabling professional investors, exporters and traders to spread their risks.

Britain had for centuries been highly successful in providing financial services to the world. The City was the financial capital of Europe and, with New York, one of the world's two pre-eminent financial centres. In an industry which operated 24 hours a day, with information on any market

instantly available to the rest of the world, London had a natural advantage because of its time zone. 'London is the focal point: the strategic link between New York and Tokyo.' Successful firms were breaking down national barriers and establishing themselves in every major centre. London had no choice but to compete, which was why the Government was encouraged by the changes in markets now taking place: they showed an adaptability stimulated by competition.

The Government's Objectives

The Chancellor pointed out that it was these forces of competition – not the Government – that would determine the institutional lines along which markets would work. 'But the Government has clear objectives, since the smooth operation of the City is essential to our economy.'

First, the Government wanted London's markets to be internationally competitive with British financial institutions operating overseas and more than holding their own.

Secondly, the Government wanted efficient markets. Competition would help markets to provide an economical way of providing medium- and long-term finance for British companies. Accordingly, they should be liquid, with a good match of buyers and sellers and of providers and users of funds; undistorted, with artificial incentives in favour of one type of investment rather than another reduced to a minimum; and competitive as between one market operator and another.

Thirdly, the Government was concerned to provide adequate protection for investors.

The Government could not expect the City to adjust unless it was itself willing to make changes, especially to remove impediments. The Government had thus actively promoted competition and innovation. Events since the abolition of exchange controls in 1979 (see p 162, 1980) had shown the Government's confidence in the free working of markets to be fully justified. 'Freedom from bureaucratic controls on capital movements has allowed the City of London the freedom necessary to provide a full range of services in international markets.'

Mr Lawson recalled that, following the decision in 1983 to exempt The Stock Exchange from restrictive practices legislation (see p 275, 1983), the Government had been criticised for shielding The Stock Exchange from the need to modernise and become more competitive; now the only criticism was from those who feared that it was being obliged to change too fast. 'In fact the changes come not a moment too soon .... A key feature of the new-look equity markets must be transparency and full information about deals. The more instantaneously this is published, the more confident investors will be.'

Change had also been expedited and reinforced by tax reform. Measures to simplify capital gains tax, proposed in the Budget, would provide a stimulus to the London bond market, which would go on to provide a larger share of industry's borrowing needs. The Government had also taken action earlier in 1984 to encourage further development of the traded options market and the London International Financial Futures Exchange (LIFFE) – for example, by extending the existing capital gains tax treatment of traded options in company shares to options in other financial instruments and by introducing measures to encourage pension funds to deal in LIFFE and in traded options. Finally, the halving of the rate of stamp duty in the 1984 Budget to reduce the cost of dealing in equities (see p 123) would help London to be more competitive and, the Chancellor hoped, to attract new investors.

Fraud

To assure investors that those guilty of fraud and similar offences would be speedily and effectively dealt with under the law, the Government was taking action on two fronts. First, a committee under the chairmanship of Lord Roskill had been set up to examine procedures in serious fraud trials. Secondly, following the Chancellor's announcement in the House of Commons that day (*Hansard*, Vol 63, No 184, written answers, col 89), a Fraud Investigation Group would be established in the Department of the Director of Public Prosecutions (DPP) at the beginning of 1985 to deal with serious cases of financial fraud. It would replace existing *ad hoc* groups investigating particular cases, and the DPP's staff and other resources would be strengthened accordingly. 'This is an important new initiative which I believe will greatly improve the effectiveness with which these cases are dealt.'

Investor Protection

There were a number of questions to be resolved following the Gower review of investor protection (see pp 58-9). For example, the same degree of protection might not be applicable to professional investors as to smaller, private investors with funds in building societies, unit trusts or equities. Also, while voluntary regulation was preferable to an apparatus of controls and self-regulation had worked well in some areas of the City, it had not always worked well in others. 'The Government has no interest in imposing more regulation than is necessary. Too much regulation can damage London's attractiveness as an international financial centre and drive international operators away .... So we are giving the question of investor protection the most careful thought and are canvassing views from all quarters.'

Building Societies and Banks

An important change in financial services had come about with the expansion of the building societies, whose assets had increased by over 100 times in real terms since 1920 and by more than 30 per cent since 1980 alone. 'They have become a major element in the economy, and highly relevant to the Government's monetary policies.' The Government would be publishing a consultative document on the future legal framework of the societies within the next few weeks.

The Government's main aim here would be to endorse the traditional role of building societies as safe places for the savings of small depositors and as reliable providers of loans for house purchase. Their 40 million savings accounts accounted for nearly half the liquid assets of the personal sector

while building society mortgages of almost 6 million represented 75 per cent of the total. The document would draw attention to the excellent performance of the societies in their traditional role and would suggest that this should continue to be the major part of their operations. However, the statutory framework for building societies was 'outdated and no longer adequate'. They were anxious to develop both their range of services and their contribution to meeting the country's housing needs. The Government believed that they were able to supplement their traditional activities and so introduce a new element of competition without jeopardising their reputation for reliability. The consultative document would suggest a wider role for building societies in the provision of finance for housing and related purposes. They could contribute to urban renewal and to the revival of the private rented sector while continuing to increase home ownership beyond the existing proportion of 60 per cent (which was already well up on the figure of 54 per cent in 1979).

The Government would also be proposing that the societies be allowed to provide limited banking services including the provision of cheque cards and personal loans. It would raise the possibility of the societies' participation in a wider range of banking and financial services, possibly including the sale of stocks and shares. Developments of this kind could not only substantially increase competition in the provision of financial services but also give customers a range of facilities which had not always been readily available previously.

The exemption of the building societies' agreement on interest rates – the 'cartel' – from restrictive practices legislation was increasingly incompatible with the Government's policy on competition; the consultative document would therefore propose ending it. The Government was not suggesting that societies should turn into banks by becoming providers of funds to commerce and industry or large suppliers of consumer credit, 'but there still ought to be fairer competition between banks and building societies where their business overlaps.' Accordingly, the banks would pay interest to depositors net of a composite rate of income tax, as the building societies did. The changes in corporation tax and capital allowances introduced in the 1984 Budget (see p 122) would bring the treatment of the two further into line.

Explaining that the banks were supervised by the Bank of England under the Banking Act 1979 (see pp 326-7, 1978) and building societies by the Chief Registrar of Friendly Societies, Mr Lawson said that the prudential framework for societies would be strengthened under the new legislation so that investors' confidence could be fully maintained as they diversified their activities. If building societies wished to change radically – beyond the framework of the new legislation – they would have the choice of converting to company status. If they did so, they would be subject to the Banking Act and would have to satisfy its criteria before they could accept deposits. One of these criteria would need to be a considerably stronger capital base than the societies tended to have now.

Trustee Savings Banks

The Government had agreed with the central board of the Trustee Savings Banks on the final stages for changing them into fully fledged commercial banks. A Bill would be introduced to remove the last special constraints as soon as parliamentary time allowed – in the 1985-86 session, the Chancellor hoped.

Conclusion

Financial markets were changing fast. New ones were emerging and, in the traditional markets, institutions and firms were acquiring new shapes and different functions. A completely different picture was forming under the stimulus of foreign competition and new technology.

The need for change in today's competitive world could not be avoided. The Government, with its strong belief in the benefits of competition, was therefore clearing away obstacles in order to make markets freer and more efficient. However, as markets depended on investors' confidence in them, the Government would insist on adequate investor protection. 'The Government intends that London's markets should continue to be a focal point. We start from a position of great strength. And as we adapt, we can expect to reinforce our position as one of the leading financial centres in the world.'

Free Trade

As the world economy recovers, specific and practical steps to bring about freer international trade must be taken at international level if sustainable growth is to be achieved, according to the Chief Secretary to the Treasury, Mr Peter Rees. Subsidisation of exports was, he believed, a form of protectionism that should be curbed as it not only hindered open trading but, like many other subsidies, was ultimately self-defeating.

The Chief Secretary made these remarks while addressing the Engineering Employers' West Midlands Association on the subject of export subsidies and free trade in Birmingham on 15 June.

Open Trading System

Britain was still one of the world's greatest trading nations (exporting 30 per cent of its national output), Mr Rees reminded his audience, and as such its economic prospects were vitally bound up with those of the world economy and world trade. The 25 years following the second world war (which ended in 1945) had seen sustained growth on an almost unprecedented scale in Britain coinciding, predictably, with strong growth in world trade during the same period: between 1949 and 1973, the volume of world trade in goods had increased at an annual rate of 7·5 per

cent while Britain's national output had risen by 3 per cent a year. However, since 1973, world trade had increased by less than 3 per cent annually and Britain's total output by only 1 per cent; encouragingly, in 1983 the British economy had grown by 3 per cent with a similar rate of increase being projected for 1984.

A major factor in the rapid post-war rise in world trade had been the establishment of a multilateral open trading system which contrasted sharply with the protectionism of the pre-war period. Significant reductions in quotas had been negotiated under the General Agreement on Tariffs and Trade (GATT) in the early post-war years and had been followed by cuts in tariffs of about one-third brought about by the 'Kennedy Round' of GATT negotiations. The 'Tokyo Round', when complete, should result in further tariff reductions of one-third (see pp 156-7, 1979).

Generally, the open trading system had survived the world recession fairly well but, inevitably, protectionist pressures were greatest when economic prospects were at their worst; there had been a spread of non-tariff barriers, including export subsidies and 'voluntary' agreements to restrict imports. Mr Rees argued that as the world economy recovered, the forces of protection should be rolled back through multilateral negotiation, a point that had been emphasised at the last two economic summits attended by leaders of the seven major industrial nations (see pp 193-4, 1983 and pp 217-20). Any relapse into protectionism would condemn Britain – and the world – to stagnation, or at best slow growth, thereby threatening living standards. Of course, conflicts of interest over the question of protectionism existed: the short-term preservation of jobs would be balanced against new and growing opportunities for the future while the protection of sectoral interests would be set against the wider conditions and opportunities for the economy as a whole. All the same, it was important to move from a general expression of support for freer trade to taking specific and practical steps to attain this goal.

Export Subsidies

Export subsidies for capital goods had recently attracted attention. Exports were subsidised, in Britain and in other countries, by giving credit below market rates (guaranteed in Britain by the Export Credits Guarantee Department – see pp 180-1) or as part of aid programmes (through the use of aid and trade provisions). The amount of subsidy provided by countries by means of export credits would be reduced following the international agreement on the consensus on export credit terms for capital goods reached last year (see p 387, 1983); fixed interest rates for export credits were to be more closely linked to average market rates. (Britain had benefited from the existence of lower interest rates which had cut the cost of providing export credits in 1983.) The consensus was a good example of how multilateral action could work effectively.

Subsidies of all types were never free, Mr Rees said: they either led to higher taxation or to lower government spending in other areas. If a subsidy was financed through higher public borrowing, ultimately this would result in higher interest rates. While a subsidy would certainly succeed in raising output and probably employment in the subsidised industry, it was likely to be at the expense of output and employment elsewhere in the economy. This was true not only for export subsidies but also for other trade measures and industrial subsidies. The huge sums devoted to various kinds of subsidies posed a public expenditure problem for government as well as affecting everyone privately or through businesses. Experience suggested, anyway, that export subsidies did not always represent the best use of limited public funds as their very existence encouraged a process of 'bidding up' by recipient countries.

Government Policies

The British Government's general economic approach was to allow market forces to operate freely to decide the scale of output, trade and employment in different activities. A very wide range of policies had been adopted, including privatisation, the abolition of controls and regulations, the curbing of monopolies and the reduction of distortions in the taxation system; the critical examination of subsidies had also to be a part of that approach. While the Government recognised that other countries provided subsidies and it did not wish to put British exporters at a major competitive disadvantage, the time had come to consider how far and in what way Britain could extricate itself from competitive and ultimately self-defeating subsidisation of exports. Although some success had been achieved last year in the consensus negotiations in bringing fixed rates of interest more into line with market rates, interest rate subsidies still existed, on, for example, United States dollar loans. Much remained to be done, too, in the field of aid and trade provisions through aid programmes. The Government would, therefore, try to gain further improvements in these areas in forthcoming international negotiations, but would continue to make use of the existing arrangements until balanced reductions were achieved by means of multilateral action.

Economic Recovery

At the recent London economic summit, the need to foster and expand the international trading system, particularly to reduce the barriers to trade and to accelerate trade liberalisation, had been reaffirmed. Delegates had also acknowledged that to attain sustained growth, economies should adapt to market needs and to technological change.

The London summit had been an occasion for recognising the recovery from world recession, nowhere more strongly marked than in Britain where recovery was now firmly established as a result of efforts made to control fiscal deficits and monetary growth. Britain's recovery would be sustainable as long as the Government maintained its basic economic strategy. The prospects for exports, this year and next, appeared good; the volume of manufactured exports had been 9 per cent higher in the three months to April in 1984 than in 1983. Mr Rees believed that Britain could

look forward to a period of buoyancy in its major export markets.

At the present stage of the recovery, as was to be expected, some sectors of the economy had benefited more than others, with exports of consumer goods having outstripped those of capital goods. However, as the basis of the world recovery broadened and levels of investment increased, there was no reason why engineering should not profit from the sustainable growth in world trade which the fall in world inflation had now made possible. Indeed, new export orders in the engineering sector were 7·5 per cent higher in the period from December 1983 to February 1984 than in the previous three months.

International Trade in Services

The need for an effective framework of rights and obligations to regulate international trade in services – similar to that already applying to goods – is, according to a government study,[1] becoming more pressing in the light of the growing economic importance of service industries. The Government hopes that this study will, in conjunction with similar surveys by other countries, act as a basis for discussion at the meeting of the contracting parties to the General Agreement on Tariffs and Trade (GATT) later this year which could ultimately point the way to multinational agreement on how to liberalise trade in services.

The Minister for Trade, Mr Paul Channon, announced in the House of Commons on 5 June (*Hansard*, Vol 61, No 165, written answers, col 143) that the British study had been submitted to the GATT. The study has been prepared in response to a recommendation arising from the GATT ministerial meeting held in 1982 (see pp 401-2, 1982) that national examinations of trade in services and the exchange of the resulting information should take place. It contains the results of an extensive consultation exercise undertaken by the Government of both providers and users of services in Britain.

Importance of Trade in Services

Internationally traded services are, the study notes, important both in themselves – they accounted for some 20 per cent of British imports and exports in 1982 – and because of their contribution to other economic processes, particularly manufacturing, the extraction of raw materials and agriculture. In most countries, including Britain, service industries provide substantial employment and make a major contribution to international trade. Existing service sectors are expanding and new services being developed while the use of the latest means of telecommunications and of computers is growing rapidly, so much so that, in many respects, the physical barriers of international borders are becoming less significant as information flows in electronic form. The benefits of this are available to developed and developing countries alike.

Both providers and users of services have responsibilities and legitimate economic expectations. Governments, which themselves supply and use services, commonly seek to achieve a balance between the interests of suppliers and users, and sometimes regulate services for wider policy reasons. Such regulation may, however, create undesirable obstacles to trade and competition, contrary to the interests of providers or users or both. As with trade in goods, there may be sound reasons for imposing restrictions (for example, to maintain national security) but in the British Government's view, such controls should become the exception, requiring special justification. Because of the growth in services, there is an urgent need for an effective framework of internationally recognised rights and obligations to safeguard all the interests concerned.

The Study's Findings

Britain has a generally liberal regulatory regime, which, the study says, makes an important contribution to the development in Britain of successful and competitive service industries. The leading services in terms of international trade in 1982 were: civil aviation (accounting for 14 per cent of services' earnings, 15 per cent of services' expenditure); construction and consultancy (7 per cent of earnings); financial and allied services, including banking and insurance (12 per cent of earnings); sea transport (20 per cent of earnings, 28 per cent of expenditure); and travel (18 per cent of earnings, 27 per cent of expenditure). In total, the study identifies some 19 service sectors involved in international trading and gives details on them.

Despite the diversity of activities carried on by the various service sectors, the study suggests that there is a marked similarity in the problems each one experiences, particularly when trading across international frontiers. The restrictions and obstacles faced by the service industries can be divided into the following categories: restrictions on the movement of finance (such as those on investment and on the withdrawal of profits) and of labour (for example those limiting the entry of professionally qualified foreign nationals); restrictions on the flow of information (where, for instance, regulations or charges are imposed upon trans-border computer data flows) and on customers (such as those prohibiting the purchase of services from foreign suppliers); discrimination in public procurement (the State as a major purchaser of services may favour local suppliers in its buying policy); and other discrimination in favour of domestic enterprises (for instance through the granting of state aid and subsidies to local operators). The effect of such policies is to place the supplier of services originating abroad at an artificial competitive disadvantage.

[1] *Trade in Services: the UK's National Examination*. Available free from International Trade Policy Division, Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET. (French and Spanish versions in preparation.)

The Next Stage

The Government believes that because service industries share much the same problems, any international approach to resolving these should consider services as a whole rather than the special difficulties of sectors individually. Existing international provisions governing trade in goods and the experience gained in preparing and operating these provisions might be applicable to trade in services. Such an overall framework offers, the study suggests, the best chance of making progress towards genuine liberalisation of trade in services.

The Government would like the study to be used, together with the findings of examinations carried out by other GATT contracting countries, as a basis for discussion of issues and problems at the meeting of the contracting parties in November 1984. (An annex to the study gives outline descriptions of British regulations and practice in service sectors and of competition legislation.) From this, the Government would like to see the emergence of a consensus on what problems should be considered further and how their solution could be negotiated. The outcome of such consideration will, it is hoped, go beyond an understanding of obstacles by pointing the way to an internationally agreed framework, similar to that which it has been the GATT's purpose to achieve in trade in goods, within which liberalisation of trade in services can take place. The Government is ready to participate fully in subsequent negotiations in the GATT and looks forward to clear decisions on future action emerging from the contracting parties.

Acid Rain

At the Multilateral Conference on the Environment in Munich the Government, after pointing out the efforts which Britain has made to limit acidification, has emphasised that the cause and effect of acid deposition are not yet fully understood and has stressed the need for further research. A report from the Energy Technology Support Unit has made the same point, although it has produced evidence which shows that the extent to which pollution from Britain is responsible for acid rain in other countries is small. The Scottish Development Department, in a paper on acid rain in Scotland, says that there is no evidence of harmful effects of acid rain on Scottish forests, although some effects have been detected in fresh water in a few areas. The implications for nature conservation in Britain of acid deposition have been examined in a report by the Nature Conservancy Council.

BRITAIN'S APPROACH

Speaking at the Multilateral Conference on the Environment in Munich on 25 June, Dr Martin Holdgate, Chief Scientist at the Department of the Environment, said that the Government was concerned with Europe's growing environmental problems in forests and fresh waters, and the deterioration of the stonework of historic monuments. The Government wished to see this deterioration halted and, where possible, reversed.

Dr Holdgate, who was speaking on behalf of Mr William Waldegrave, Parliamentary Under-Secretary of State at the Department of the Environment, continued:

'During the past few years we have learned that these problems are not solely due to the direct impact of the phenomenon popularly termed "acid rain". We have learned that we have to be concerned with an ecological situation involving many variables. We have to understand, and respond to, all the components of this situation – the direct action of sulphur dioxide and gaseous oxides of nitrogen, the effects of the ozone formed from chemical reactions between some of these gases and hydrocarbons using the energy of sunlight, and the effects of deposited acidity on waters and soils. We are concerned with the interactions between these factors and climate, forestry and land-use practices, and all the other variables that combine to make the science of ecology the demanding study that it is.

Research Programmes

'My Government's concern is to base action on a proper understanding of the factors that change and damage the environment. That is why we have consistently laid such stress on science. We see no point in making heroic efforts, at great cost, to control one out of many factors unless there is a reasonable expectation that such control will lead to real improvement in the environment.

'For this reason, we support initiatives that will enhance our understanding of the European environment. We strongly support the extension of the European Monitoring of Environmental Pollution Network, under the Economic Commission for Europe's Geneva Convention, to document more exactly the concentration of sulphur and nitrogen oxides and the acids in rain over this continent. We are extending our own national network to monitor nitrogen oxides at some 30 sites. We propose to make more measurements of ozone. We have expanded our national research on depositions and effects. Our Government is now spending some £5 million a year in this field. In addition, £1 million a year is being spent on a joint programme between our Royal Society and the National Academies of Science in Norway and Sweden [see p 313, 1983]. The public utilities most concerned have a £50 million programme aimed at developing better control technology to match our national industrial and environmental circumstances. We attach great importance to this last area, because it is our conviction that many of the control systems now available are far from ideal both from environmental and financial standpoints. I include in this list the three-way catalyst systems available to curb emissions from petrol-engined vehicles, the flue gas treatment system to abate nitrogen oxides, and even the more proven flue gas desulphurisation systems. Many are costly, some (like the catalysts) are

easily damaged, and some generate solid wastes that are difficult to dispose of in our small and densely populated country. We hope for a new generation of control technology – such as lean-burn car engines, low-nitrogen oxide burners, and fluidised bed furnaces, and we are pressing ahead with all these.

Progress in Reducing Air Pollution

'We have made some substantial progress in reducing air pollution in the United Kingdom . . . between 1970 and 1983 our national emissions of sulphur dioxide fell by some 37 per cent. Between 1980 and 1983 they have been reduced by 20 per cent. We believe that our share of total European emissions (excluding the Soviet Union) fell from 25 per cent to 11 per cent between 1950 and the present day. Our national emissions of nitrogen oxides have remained virtually constant – or possibly fallen a little in the past 18 years, whereas those in certain other countries have risen by up to 50 per cent. Furthermore, these changes are not simply a reflection of the recession we have suffered in company with other nations represented here. They have come from positive advances in energy conservation, changes in energy sources, and alterations in the make-up of our industry, with the phasing-out of much old, heavy, energy-intensive industrial capacity. We hope to hold on to these gains as our economy picks up – and the fact that our sulphur dioxide emissions fell between 1982 and 1983 while the economy grew by 3 per cent is a hopeful sign . . .

'The fact remains that we accept the need to do more. The United Kingdom is not the largest contributor of pollutants to other countries, but we emit, receive and export more than we would like. We are willing to join in positive and constructive discussions with other governments with the aim of securing a further reduction not just of national sulphur dioxide emissions but of nitrogen oxides and the vehicle emissions implicated in ozone formation as well. We believe we need to attack all the main pollutants contributing to Europe's environmental problems. I cannot be specific about target dates and percentages – and I have to say bluntly that we do not see our way to joining the "30 per cent Club"[1] in its present form, with its emphasis on a single pollutant and its 1995 dateline – but we will be discussing in the European Community and the executive body of the Geneva Convention what we can achieve, and by what means. Even though we do not believe it is an effective use of public money to fit flue gas desulphurisation to our relatively modern fossil-fuel burning power stations, we are examining a broad mix of measures that will allow us to bring our national total emissions down in a cost-effective way.

Vehicle Emissions

. . . I would like to mention one such positive measure. My Government is impressed by the evidence that ozone, produced by chemical reactions involving vehicle emissions, is likely to be a significant factor in the damage that forests in this country and other European countries are sustaining. We support the positive approach the Commission of the European Communities is taking towards a further tightening of standards for such emissions. We welcome the introduction of unleaded petrol – for which we have campaigned vigorously in Europe – as an early component of this action.[1] We believe that new engine design technology – including the so-called lean-burn approach – offers an attractive pathway towards higher standards. This is the avenue we wish to explore vigorously.

'It typifies our national approach. We seek new technologies that achieve pollution abatement as an integral component of design rather than add on costly curative devices to inherently dirty plant . . . . We urge all Governments to give high priority to the application of new science and new engineering to the design of industrial systems, power stations and vehicles with low pollution as a basic characteristic.'

ACIDITY IN THE ENVIRONMENT

The study by the Energy Technology Support Unit[2] was carried out at the request of the Department of Energy to bring together information about the origins, transport, chemical transformation and deposition of acidity in the environment and its movement through the soil into waterways. The Energy Technology Support Unit is involved in formulating research and development plans, proposing and managing technical research projects and, on behalf of the Department of Energy, participating in projects with other countries or with international bodies such as the International Energy Agency.

Sources of Acidity

The main origins of acid deposition are in sulphur dioxide and nitrogen oxides. Over the past decade emissions in Britain of sulphur dioxide have decreased and in 1982 were around 34 per cent lower than in 1970, mainly because of fuel switching and the recession in industry; about two-thirds of emissions at present originate in power stations fired by fossil fuels. Emissions of nitrogen oxides appear to have declined since 1979 by around 10 per cent, although the actual quantities are difficult to estimate because of uncertainties about the quantity of emissions from motor vehicles.

The evidence suggests that changes in the quantities of sulphur dioxide and nitrogen oxides emitted are unlikely to lead to a proportional change in the deposition of acidity or unoxidised sulphur dioxide or nitrogen oxides at a given location. Deposition of acidic substances in rainfall is highly episodic; 30 per cent of total deposited acidity occurs on between 3 and 5 per cent of rainy days (there are 80 to 200 days on which rain falls each year), the amount deposited being

[1]Those nations which have agreed to reduce their emissions of sulphur by 30 per cent by 1995 (now brought forward to 1993).

[1]For further information about the Government's action on lead pollution see *Lead in the Environment*, COI No 238/84.

[2]*Acidity in the Environment*, by Deborah H. Buckley-Golder. HMSO, £10. ISBN 0 7058 0589 1.

attributable to specific meteorological conditions. Computer modelling of the atmospheric chemistry and deposition of kinds of acidic sulphur has made possible the identification of the main contributors to deposition in countries throughout Western Europe which suffer from the problem (see Tables 1 and 2). Studies carried out as part of the European Monitoring and Evaluation Programme suggest that of the sulphur emitted within Britain about 2·3 per cent is deposited in Sweden, 2·1 per cent in Norway, but about 30 per cent is deposited within Britain itself. Although the amounts of sulphur deposited in Scandinavia are a small proportion of British emissions, they contribute a significant proportion of deposited sulphur in those countries; however, the uncertainties in estimating the quantities are considerable. Whereas for Britain about 80 per cent of sulphur deposition is thought to be self-generated and less than 10 per cent 'unattributable', for Norway 18 per cent appears to originate in Britain and around 32 per cent is unattributable and for Sweden 10 per cent is of British origin with 23 per cent unattributable. No similar calculations have been carried out to identify the sources and destinations of acidic nitrogen.

Table 1

Main Sources of Sulphur Deposited in Britain

Source country	Per cent of total
German Democratic Republic	1·2
Federal Republic of Germany	2·7
France	3·7
Britain	78·8
Unattributable	8·8

Table 2

Main Recipients of Sulphur Emitted by Britain

Receptor country	Per cent of total emitted by Britain
German Democratic Republic	1·1
Netherlands	1·3
Poland	1·5
Norway	2·1
Sweden	2·3
Federal Republic of Germany	3·6
France	4·9
Soviet Union	4·9
Britain	29·8
Other countries	26·1
Elsewhere – for example the sea	22·4

Source: Eliassen, A. and Saltbones, J., 'Modelling of long-range transport of sulphur over Europe: A two-year model run and some model experiments', *Atmospheric Environment* 17, 1457–1473.

Effects of Acidity

Both dry and wet deposition of sulphur and nitrogen, and increased acidity of rain, are known to have detrimental effects on the environment. Damage to structural materials is caused predominantly by dry deposited sulphur dioxide reacting with the metal or stone in the presence of high humidity. The most important emissions are therefore from domestic, commercial and industrial sources in urban areas, where deposited material can lead to increased rates of corrosion and weathering of structural materials. Increased atmospheric concentrations of pollutants from low- and medium-level sources can cause reduced yield and visible foliar damage to crops, trees and general vegetation around urban areas. It has been observed that mixtures of pollutants such as sulphur dioxide, nitrogen oxides and ozone can have a synergistic effect – that is, damage is more severe than that occurring in the presence of comparable concentrations of each pollutant alone. However, such effects are not yet quantifiable, as the mechanisms by which damage occurs are not well understood. The damaging effects of increased concentrations of atmospheric pollution and acid deposition on vegetation are difficult to generalise, as they depend on the soil type, altitude and exposure to wind and frost.

German Forests

Although widespread damage to forests in the Federal Republic of Germany has been attributed to the effects of increased sulphur dioxide concentrations, it is by no means clear precisely what is causing the damage. The most likely agents are now thought to be ozone, possibly in combination with other atmospheric pollutants, and the long-term effects of drought.

Soil Acidification

Simulated rainfall of high acidity has been found to inhibit tree seedling establishment, although little direct evidence exists, from either the laboratory or the field, to suggest that wet deposition itself is causing widespread damage to vegetation. Acid water passing through the soil can increase soil acidification, and cause enhanced loss of nutrients and leaching of aluminium and heavy metals. The exact nature of the soil/water interaction depends upon the type of soil involved, and that most sensitive to the effects of acid deposition is a thin, siliceous clay or sandy soil overlying granitic bedrock which is very slow-weathering. Soil acidification appears to inhibit bacterial degradation within the soil, resulting in decreased rates of nitrification and decomposition of organic matter in acid conditions.

Water Acidification

The runoff water from acidified soils can cause acidification of stream, river and lake water, changing the balance of ions in the water and raising levels of aluminium and heavy metals (present naturally in the soil). Increased acidity alone is fatal to fish at certain concentrations, and increased levels of aluminium enhance the effects at lower concentrations. Coniferous trees tend to cause soil acidification by natural processes, but they are also efficient collectors of deposited material, particularly wind-driven fog and mist, which results in raised levels of acidity. Afforestation of water catchment areas with coniferous trees therefore leads to enhanced acidity of runoff water and increased aluminium concentration in water percolating through the soil. Increased

water acidity from snow melting in spring and from heavy autumn rain is particularly critical to the survival of fish and aquatic invertebrates, both of which are known to be able to acclimatise, to some extent, to slowly increasing levels of water acidity; but a sudden increase in spring or autumn may exceed their level of tolerance and kill them.

Human Health

At current atmospheric concentrations there does not appear to be any risk of direct damage to human health. However, increased levels of ground-water acidity lead to enhanced rates of metal dissolution in pipework, and communities whose water supply is untreated may experience raised levels of heavy metal in the water, caused both by dissolution from pipes and tanks and increased leaching from the soil. In certain areas this could pose a threat to human health if the water supply remains untreated, although it is unclear whether any observed effects have been attributable to man-made emissions of sulphur dioxide and nitrogen oxides.

Conclusions

The study concludes that sulphur dioxide and nitrogen oxides emitted into the atmosphere from man-made sources may be redeposited by both dry and wet processes, causing detectable damage to structural materials, vegetation, aquatic life and, under certain circumstances, human health. However, in many cases the damage is difficult to quantify because of the complexity of the chemical and biological systems involved and the lack of background data for unpolluted atmospheres. Although estimates have been made of the British contribution to long-term sulphur deposition in other European countries, it is very difficult to estimate the corresponding degree of responsibility for environmental damage. This is because it is not yet clear whether long-term or episodic deposition causes more damage, nor how Britain contributes to the sulphur deposited.

It is clear that any reduction in sulphur emissions must lead to a reduction in the long-term world-wide deposition of sulphur, but it appears that a reduction would lead to a change in the relative proportions of sulphur deposited by wet and dry processes, and neither would decrease simply in proportion to the reduction in emissions as a whole. A similar situation would occur if emissions of nitrogen oxides were reduced. It is therefore very difficult to anticipate how the observed environmental effects of acid deposition would be altered by a reduction in emissions of sulphur dioxide or nitrogen oxides, although it may be concluded that any consequential reduction in deposition can only offer an improvement in particularly sensitive locations.

About 80 per cent of the sulphur deposited in Britain is self-generated and any large reduction in British emissions will therefore result in a significant reduction in total deposition in Britain. One of the areas most at risk is structural materials, where increased corrosion and weathering may represent a significant cost to the nation.

Many issues within the description of the origin, transport, transformation, deposition and effects of environmental acidity and its precursors remain poorly understood. Much research information is required in determining the economic penalties of increased emission controls and the likely environmental costs of delaying the implementation of these controls.

ACID RAIN IN SCOTLAND

A paper issued by the Scottish Development Department[1] reports that there is no evidence at present of harmful effects of acid rain on Scottish forests, but effects of acidity on freshwater ecosystems have been detected in limited areas of south-west Scotland. The paper is the result of a meeting convened in December 1983 by the Scottish Development Department and including representatives from the electricity generating boards, river purification boards, the Forestry Commission, the Nature Conservancy Council and a wide range of research bodies including the Institute of Terrestrial Ecology and the Warren Spring Laboratory.

Available evidence, the paper says, suggests that Scotland both produces acidifying gases and receives them from elsewhere. However, its role as producer should be seen against the background of the general use of low-sulphur coal for power generation in Scotland which results in a lower emission of sulphur dioxide per unit of output than in England or Wales. Moreover, because of the availability of hydro and nuclear power, the Scottish generating boards make relatively less use of fossil fuels for power generation than the Central Electricity Generating Board, and there are now only two major coal-fired stations in Scotland. Sulphur dioxide emissions from Scottish power stations amount to less than 5 per cent of the sulphur emissions from power stations in Britain as a whole, or less than 2 per cent of all British sulphur emissions.

Freshwater Fisheries

The areas so far identified in Scotland as the most sensitive in respect of potential damage to freshwater ecosystems are in the Galloway area of south-west Scotland and the Loch Ard area of west Scotland, although other areas with a low concentration of calcium in surface waters, such as the Grampian Highlands, may also be vulnerable. Studies of streams in parts of the Galloway and Loch Ard areas have shown that salmon and trout are sometimes scarce or non-existent. Generally there seems to have been a decline in brown trout stocks in Galloway in recent decades, but it is virtually impossible to produce firm evidence on the effects of acidity on stocks of migratory salmonids in either of these areas because of the shortage of historical records.

Forests

It is sometimes suggested that the death of coniferous trees being reported in the Federal Republic of Germany and neighbouring countries is also likely to occur in Scotland, although the

[1] *Acid Rain: The Scottish Dimension*. Available free from The Scottish Development Department, Pollution Control Division, Pentland House, 47 Robb's Loan, Edinburgh EH14 1TY.

causes of forest damage on the European mainland are not fully understood. One hypothesis is that soil acidification induces an aluminium attack on the roots of trees, reducing resistance to disease; another view, now gaining support, is that the damage is directly caused by ozone attack on the needles, probably in conjunction with sulphur dioxide and possibly nitrogen oxides. It is thought that factors unrelated to air pollution such as husbandry practices and weather conditions may also be relevant. Whatever the cause, there is no evidence at present of harmful effects of acid rain on Scottish forests. Although such damage might arise in the future, the view that it is inevitable because it has taken place in other countries is unsatisfactory, because it ignores the need to look at each pollution environment on its own.

Agriculture

Much research still needs to be done to establish whether acid rain, either on its own or in combination with other pollutants, causes significant loss of yield. Account has also to be taken of the possibility of acid rain having a beneficial effect on crops by increasing resistance to certain diseases and rectifying sulphur deficiencies in soils; the latter point is of significance in Scotland, where sulphur deficiencies are widespread.

Nature Conservation

Ecological changes induced by acid rain may have potentially serious consequences for nature conservation in the areas affected. Although there is enough evidence for concern in relation to aquatic wildlife, including fish, the full implications for wildlife dependent on water need further investigation. Further study is also needed to find out the effect on non-aquatic wildlife.

Remedial Measures

The options available for the reduction of emissions are: the use of low sulphur fuels; the removal of sulphur before combustion (for example, by coal washing); the removal of sulphur dioxide from the combustion chamber for solid fuels through the addition of powdered limestone to fluidised bed combusters; the removal of sulphur dioxide from flue gases through the use of a limestone slurry; and the redesign of fuel burners or the introduction of flue gas denitrification to reduce emissions of nitrogen oxides. Emission control would be very costly.

An alternative approach, pioneered in Scandinavia, would be to counteract the acidity by adding limestone or dolomite to acidified lakes and streams. Some success has been achieved by this method, but liming of surrounding areas may also be necessary and it almost always has to be repeated to keep the acidity level down.

NATURE CONSERVATION AND ACID RAIN

The Nature Conservancy Council has produced a report on acid deposition in Britain[1] with the aims of identifying natural habitats and communities currently at greatest risk, of indicating broad areas of research to improve the knowledge of effects and of outlining implications for the selection, management and protection of conservation sites. In the past, acid deposition and smoke have had marked and widespread effects on lichens in and around industrialised areas, and higher plants and freshwater organisms have also been affected in heavily polluted areas, such as the southern Pennines. The report attempts to identify areas of prime conservation importance which may now be at risk because of continuing high levels of acid deposition or because of changes in patterns of deposition in recent decades.

Rainfall acidity and total deposition levels over Britain are similar to those claimed to cause widespread ecological damage to freshwater flora and fauna in North America and elsewhere in Europe. Vulnerable areas, identifiable from patterns of deposition and geology, include parts of south-west and central Scotland, the Lake District, the Pennines and probably the Welsh mountains. In freshwater habitats on granite or other slow-weathering rocks, fish and invertebrates will have suffered particularly.

In parts of northern England and south-west and central Scotland, lichen growths of national or sometimes international importance are exposed to an exceptionally high level of wet acidity, and there is some evidence of recent damage to sensitive species. Lichens in Snowdonia (Wales) may be similarly at risk. Although type and nature of substrate[1] modify the impact of acid deposition, effects on lichens may be geographically more extensive than effects in freshwater, which will be confined to areas of hard rocks. Other sensitive plants in these upland areas will also be at risk.

Further work is needed on the identification of sensitive areas. Northern Britain has been well covered, but for large areas of England and Wales there is little information on wet acid deposition. Acid deposition is deleterious to nature conservation in the wider countryside because it can lead to impoverishment of habitats and species. It is a particular threat to some national nature reserves and sites of special scientific interest, which tend to be relatively numerous in the uplands where the largest areas of semi-natural habitat remain. The effects of acid deposition should be taken into account when selecting and managing upland sites, because if survey data are more than a few years old the scientific interest of the site may have changed.

Remedial management by liming is only recommended for nature conservation in a few cases involving species protection, for example, to prevent the extinction of an isolated population of salmonids. It does not seem to be applicable to conservation of ecosystems because it is expensive, unable to cope fully with acidic inputs and may bring its own problems. Some forms of land management, such as upland afforestation, can accentuate acidification and it is therefore recommended that the catchments of vulnerable sites of special scientific interest be kept free from afforestation with conifers.

[1]*Acid Deposition and its Implications for Nature Conservation in Britain*, by G. L. A. Fry and A. S. Cooke. Nature Conservancy Council, £3·50. ISBN 0 86139 283 3.

[1]Nutrient medium for bacterial culture.

At the moment in Britain emissions of sulphur dioxide are decreasing, while those of nitrogen oxides are increasing, although the former are still considered the greater threat to nature conservation. The case for reducing emissions at source is supported by the observations that rainfall acidity is still increasing in some areas, that particularly acid rainfall in remote areas tends to coincide with the movement of air masses over industrial areas, and that 80 per cent of the sulphur deposited in Britain originates within the country. Recent discussions on the cost/benefit analysis of sulphur dioxide control in Europe seem, the report says, inappropriate to nature conservation, whether of species or habitats. For nature conservation interests the only long-term remedy to the uncontrollable changes initiated by acidification is a reduction in emissions of sulphur and nitrogen compounds.

Shorter Notes

MERGERS POLICY

References of mergers and planned mergers to the Monopolies and Mergers Commission are to be made primarily on competitive grounds (see pp 375-6, 1983) and the qualifying assets threshold raised from £15 million to £30 million, the Secretary of State for Trade and Industry, Mr Norman Tebbit, announced in the House of Commons on 5 July. The announcement followed the completion of a review of mergers policy in the light of the Government's general view of the role of market forces and of competition in promoting the efficient use of resources and stimulating the economy to the benefit of both producers and consumers. The desire of companies for stability and predictability in this area of policy had also been taken into consideration.

The mergers provisions of the Fair Trading Act 1973, the legislation governing monopolies and mergers, remained an appropriate legislative framework for mergers policy: under this system, ministers, who were accountable to Parliament, were responsible for making reference decisions to the Commission and for taking action following adverse reports by the Commission. Independent expert advice was available from the Director General of Fair Trading (see below) and the task of investigating the public interest was in the hands of the Commission, another independent body. The present framework, then, provided the necessary flexibility for dealing with commercial arrangements while allowing for an authoritative independent evaluation of the public interest where it was needed. Mr Tebbit did not favour greater rigidity or increased ministerial discretion and proposed no change in the basic framework of the Fair Trading Act. He would, however, be raising the threshold for the total value of gross assets being taken over, at which point proposed mergers may be referred to the Commission, from £15 million to £30 million; this change would come into effect on 26 July. The increase more than compensated for rises in prices since 1980 (when the threshold was last raised) so as to secure a worthwhile reduction in the number of mergers qualifying for investigation from some 200 a year to about 150.

The Government would continue to make references to the Commission primarily on competition grounds; in evaluating the competitive situation in individual cases, Mr Tebbit said he would have regard to the international context, that is to the extent of competition in the home market from overseas companies and to the competitive position of British companies in markets abroad.

An important aspect of the administration of mergers control was the 'confidential guidance' system operated by the Office of Fair Trading which was already able to provide, in a considerable proportion of cases, positive guidance on whether or not a reference was likely. This service was much appreciated by companies and the Minister expected that his policy on references would enable guidance to be given in an even greater number of cases in future. Britain's independent competition authorities had a justifiably high reputation and Mr Tebbit thought that he would be guided by their advice in the great majority of cases.

Source: *Hansard*, Vol 63, No 186, written answers, cols 213-14.

FAIR TRADING ANNUAL REPORT

In his annual report published in July, the Director General of Fair Trading, Sir Gordon Borrie, describes 1983, the tenth anniversary of the founding of the Office of Fair Trading,[1] as the 'questioning year': queries were raised about a wide range of often longstanding institutions by politicians and the Government, the general public and the news media as well as by the Office itself, all wishing to know if today's demands and expectations were being met by these institutions.

Early in 1983, the Director General published his review of certain parts of the Opticians' Act 1958: the overall findings were that the statutory selling monopoly given to opticians and the very tight rules imposed on advertising had led to restricted choice for the consumer, higher prices for spectacles and lower efficiency among opticians. Consequently, the Government announced its intention to act to bring greater competition into the industry.

The Government's decision to exempt The Stock Exchange from the restrictive trade practices legislation (see pp 434-6, 1983) had disappointed Sir Gordon, who had wanted to challenge in court a number of key features of The Stock

[1] A government department, responsible for protecting both consumers and businessmen against unfair trading practices.

Exchange including fixed minimum commissions; single capacity (the separation of brokers and jobbers); and restrictions on outside shareholdings and participation in member firms. It had become clear to Sir Gordon by the end of 1983, however, that the restrictions and practices which he had been contesting were fast being eliminated by events (see pp 221-4).

The Director General points out that several major reports, all initiated by government and relating to competition policy or to consumer protection, are currently being discussed. They include Professor Gower's review of investor protection (see pp 58-9), the National Consumer Council's report on banking services and the Cork report on insolvency (see p 100); each one of these reports questions long-established institutions and practices. Under pressure from the Office, the professions appear at last to be relaxing their unduly restrictive rules against advertising; the promise of government legislation to liberalise house conveyancing is further proof that the professions are not to be sheltered from competition policy.

In 1983, the Office considered 192 mergers (compared with 190 in 1982) and advised government ministers whether they should be referred to the Monopolies and Mergers Commission for investigation; the distribution sector provided the highest number of mergers qualifying for scrutiny by the Office. Nine references to the Commission were made by the Government, one less than in 1982. Regarding restrictive practices, during 1983 some 65 agreements concerning the price and distribution of milk emerged in an investigation by the Office; court action will be taken against the parties to the agreements.

For three successive years, applications for consumer credit licences (required by the consumer credit and hire industry under the Consumer Credit Act 1974 (see pp 176-7, 1974)) showed a marked rise; the 1983 figure of 16,815 licences issued is 24 per cent higher than that for 1982. The Office served 250 notices, the highest number ever recorded, on credit licence-holders or applicants in 1983 warning that it was likely to refuse or revoke licences. Also during 1983, 114 traders had licences refused or revoked, again a record number, and 34 either withdrew their applications or gave up their licences. An increasing number of adverse licensing decisions involved unfair practices by money-lenders. Last year, 47 written assurances promising future good business behaviour were secured by the Office from traders who had persistently broken their obligations to consumers; five court orders were obtained against traders who had either refused to give assurances or had broken them. Since 1973, 407 assurances, undertakings to courts or court orders have been obtained.

Consumer complaints reported by local enforcement and advice agencies to the Office in the year ended 30 September 1983 totalled 564,698, a rise of 31,843 over the previous year.

Source: *Annual Report of the Director General of Fair Trading 1983*. HMSO, £6·95. ISBN 0 10 249584 X.

DEVELOPMENT COMMISSION

The Development Commission's policy document, *The next ten years*, outlining its programmes 'to sustain the economic and social fabric of the rural counties of England' under the Commission's new powers and executive responsibility, was issued in June.

The Commission was established in 1909 to advise the Government on the use of the Development Fund to assist the economic and social development of the rural areas, which were losing population rapidly. Most of the Commission's original responsibilities have been transferred to government departments. In the mid-1970s separate agencies – the Scottish Development Agency, the Welsh Development Agency and Mid Wales Development – were set up to look after Scotland and Wales; the Development Commission now concentrates its activities in England. On 1 April 1984, the Commission became a grant-in-aid body with executive powers, a change which coincided with the findings of a major review carried out by the Commission of its priority areas and its policies. The Commission now has responsibility for its own activities and expenditure, and the ability to undertake more direct action within the limits of its resources.

The document explained that the Commission would continue to work through agents such as the Council for Small Industries in Rural Areas (CoSIRA), English Estates and the Rural Community Councils, and in close partnership with local authorities, as this was considered the most cost-effective and successful way of achieving its aims. Though its responsibility extended over the whole of rural England, the Commission aimed to concentrate its resources in the areas of greatest need, and the Government had given it the responsibility for designating its priority areas, within agreed criteria. After detailed consultation with local authorities and other agencies, the Commission had identified and designated Rural Development Areas. The Areas were not immutable but were expected to remain for the next five years at least. The agencies involved in rural areas would draw up Rural Development Programmes, which would include bids for Commission assistance and also show how the programmes of other bodies could be co-ordinated. The Commission would continue to allocate a part of its resources to needy areas outside the designated priority areas and to support the work of agencies covering all rural areas.

The Commission believed that the basic need of rural areas was the provision of new jobs and a wider range of employment opportunities. These were best provided not by trying to attract large footloose industry but by encouraging the growth and expansion of local indigenous industry. The Commission was also concerned not just to provide employment in market towns or larger villages which might draw people out of the countryside, but to strengthen the economy at a very local level by helping to generate jobs in the villages. It would therefore continue to concentrate on financing smaller workshops and assisting smaller firms. These were the mainstay of most

rural communities and the Government's efforts were aimed at helping small firms to get established, to survive and to grow. Typically, small businesses needed help with premises, finance, advice and training; the policies and instruments employed by the Commission were geared to those needs. It would also continue to devote resources to community development, the provision of rural services, training and research.

Source: *The next ten years*. Policy Review document of the Development Commission. Available free from the Commission, 11 Cowley Street, London SW1P 3NA.

SCOTTISH DEVELOPMENT AGENCY ANNUAL REPORT

Examples of the Scottish Development Agency's (SDA) efforts to strengthen Scotland's economic base are given in the Agency's latest report. During 1983-84, through partnerships with the private sector, universities and central and local government, the Agency sought to stimulate the commercial development and application of advances in technology and to revitalise the small firms sector. Another important aim was to help developments in electronics, health-care and biotechnology, energy-related and advanced engineering. Among the early results of the Agency's long-term activities were the increasing number of electronics companies in Scotland, now over 260, of which half were small Scottish-owned enterprises, and the rising output of the industry – by the spring of 1983 about 40 per cent above its 1979 level. Scotland now produced 80 per cent of Britain's output of integrated circuits and 50 per cent of Britain's computers, peripherals and related products.

The Agency had been seeking world-wide opportunities to use the technical expertise that had been built up to exploit North Sea oil. This was a first step towards ensuring that this sector developed in such a way that its survival and profitability were assured when North Sea activities began to run down.

The Agency had received an encouraging response from Scottish-based companies to its initiatives to develop effective technology transfer services to assist with the introduction of new products and processes. It does this by seeking joint-venture and licensing agreements with overseas companies which wish to service the British and European markets from a production base in Britain, but do not wish to undertake further investment or an acquisition.

Over 760 large and small companies were being supported by the Agency at 31 March, with the cost of outstanding investment amounting to £33 million. The amount already committed by the Agency during the year, at £9·4 million, was somewhat lower than in the previous year because a greater proportion of the funds required for new investment opportunities accepted was injected by co-investors from the private sector willing to share the high risk involved.

The demand for new and refurbished smaller factories continued at a high level during the year. A new record of 500 lettings had been concluded; the area of unlet space, however – with a relatively low demand for the larger and older properties – had risen substantially. A good start had been made on the construction of the new Scottish Exhibition Centre at Queen's Dock in Glasgow, which was still on target for opening in 1985. Funding had been secured for the St Enoch Centre in Glasgow and construction would begin towards the end of the year. Premises had been completed in Stirling for Wang (the Japanese computer and word-processing systems company); work had begun on the physical development of the Dundee Technology Park; and, subject to planning permission, it was hoped to start work on the Aberdeen Science Park in early 1985. The West of Scotland Science Park, in Glasgow, was opened officially in September 1983.

During the year the demand for the range of services which the Agency offered to Scotland's small businesses had reached record levels. The number of potential start-ups rose from 3,700 in 1982-83 to 6,400 in 1983-84. A major feature was the development and staging of some very effective 'in-store' promotions of Scottish products in London and Japan which secured a higher than anticipated volume of orders.

About 200 visits were made by potential corporate investors interested in establishing operations in Scotland in the past year. Decisions by 54 corporations to invest some £166 million were significantly influenced by the operations of Locate in Scotland, which incorporates the powers of both the Industry Department for Scotland and the Agency in attracting inward investment.

Source: *Scottish Development Agency. Annual Report 84*. Available free from the SDA at 120 Bothwell Street, Glasgow G2 7JP.

ENTERPRISE OIL

Enterprise Oil plc, a new and substantial British oil exploration and production company formed to take over the British Gas Corporation's offshore oil interests, has become a private sector company following the sale of the Government's shares in June. The flotation on the Stock Exchange realised £392·2 million and involved the sale of 212 million shares, which were underwritten at a minimum tender price of £1·85 a share. Applications for over 56 million shares from more than 13,000 applicants were accepted as valid. In announcing in the House of Commons on 28 June the outcome of the sale, the Secretary of State for Energy, Mr Peter Walker, pointed out that both the share market and the oil market had weakened substantially between the underwriting of the issue and the opening of the list of applications. He explained also that the Government had rejected a number of applications in order that no single individual or company should hold beneficially more than 10 per cent of the

equity as a result of the flotation. The Government had retained complete discretion to reject any applications, along with a special rights preference share which, in effect, would give it a majority of shareholders' votes in the event of a takeover bid, in order to ensure the company's independence for a limited period.

The British Gas Corporation's offshore oil interests were transferred in 1983 to the new company Enterprise Oil under the provisions of the Oil and Gas (Enterprise) Act 1982 (see pp 46-7, 1982); the company had been owned by the Secretary of State for Energy since 1 September 1983. It has interests in 25 blocks in the United Kingdom Continental Shelf including four oilfields in production (Beryl, Fulmar, Montrose and North-West Hutton) and one under development (Hutton). Oil production from its interests is expected to average 29,830 barrels a day (some 4,000 tonnes a day) during 1984. Apart from its special rights preference share, the Government has no continuing involvement in Enterprise Oil.

Sources: *Hansard*, Vol 62, No 174, written answers, col 90; *Hansard*, Vol 62, No 181, col 1167; and Department of Energy press notice, 19.6.84.

CIVIL AVIATION AGREEMENT WITH THE NETHERLANDS

A new agreement designed to encourage more liberal air travel arrangements between Britain and the Netherlands was signed in The Hague on 20 June by the Secretary of State for Transport, Mr Nicholas Ridley, and the Netherlands Minister for Transport and Public Works, Mrs Neelie Smit-Kroes. The agreement contains provisions designed to bring about major changes in air travel by allowing greater freedom of operation, more competition and a wider choice of arrangements for air travellers. Under the agreement any airline designated by either government would be allowed to fly on any route between Britain and the Netherlands; the airlines would be able to decide the frequency and capacity of these services; tariffs would no longer require the approval of both governments, but would be subject to approval by the government of the country where the journey started; and the airlines of either country would be entitled to match the tariffs of the other over their respective route networks. The Government of the Netherlands shares the view of the British Government that it is not compatible with their obligations under the Treaty of Rome to require airlines to consult each other about tariffs.

In a statement issued by the ministers following the signing of the agreement, they described the agreement as 'a breakthrough in the development of our civil aviation industries' and 'a shining example to our partners in the European Community of what a common market in air transport should be'. They said that for too long civil aviation in the Community had been 'constrained by rigid and inflexible rules which have stifled its development', and this had been bad for airlines and their customers. Under the agreement, which created a new climate of enterprise and opportunity, Dutch and British airlines would be able to offer their customers a new deal: 'greater competition, a wider choice of services and lower fares'.

Source: Department of Transport press notice, 20.6.84.

SOCIAL AND CULTURAL AFFAIRS

General Household Survey

Substantial changes in family life between 1971 and 1982 are recorded in the General Household Survey for 1982. Other topics covered by the Survey include private medical insurance, eyesight and the use of contact lenses, smoking, drinking, and educational attainment.

The General Household Survey, which has been running since 1971, is a continuous survey based on interviews with a sample of about 21,000 adults living in private households in England, Scotland and Wales. In the five main subject areas (population, housing, employment, education and health) the survey has followed a policy balancing continuity and flexibility of questionnaire content, to meet both the demand for key data over time and the changing policy needs of government departments. Certain subjects – for example, smoking and drinking – are covered periodically by the survey.

Household Size

The average size of households continued to decline in 1982 to 2·63, from 2·69 in 1981 and 2·91 in 1971. The reduction between 1981 and 1982 was attributable to an increase in the proportion of households containing one or two people and a reduction in that of large households containing six or more people; between 1971 and 1982 the proportion of large households with six or more people fell by half from 6 per cent to 3 per cent. In 1982, 9 per cent of people of all ages lived alone, compared with 8 per cent in 1981 and 6 per cent in 1971. As a proportion of all households those living alone constituted 23 per cent; a further 35 per cent of households contained a married couple without dependent children and 29 per cent consisted of a married couple and their dependent children.

The proportion of families with dependent children which were headed by a single parent increased steadily throughout the 1970s and in the period 1980-82 (the numbers are aggregated because of the small size of the sample) one-parent families formed 12·1 per cent of families with dependent children, compared with 8·3 per cent in 1971-73. During the period 1971-82 the proportion of families headed by a divorced mother more than doubled and the proportion headed by a single mother almost doubled. The proportion of single-father families, however, changed very little.

Cohabitation

In 1982, 13 per cent of non-married women aged 18 to 49 (including those who were divorced or separated) were cohabiting at the time of the interview (that is, living with a man as his wife without being legally married to him). The proportion was highest among divorced or separated women, 20 per cent of whom were living with a man, compared with 10 per cent of women who had never married. Women aged 25 to 34 were more likely to be cohabiting than younger or older women; combined data for 1981 and 1982 show that almost one in four divorced or separated women in this age group and one in six single women were cohabiting.

There was a marked increase in premarital cohabitation (that is, cohabitation of couples before they marry) over the 1970s and early 1980s. Among those marrying in 1979-81 two out of three marriages in which at least one partner was remarrying were preceded by a period of cohabitation, compared with one in five marriages between bachelors and spinsters.

Housing

In 1982, 55 per cent of private households were owner-occupied, compared with 49 per cent in 1971. The proportion of households living in accommodation rented from a local authority or new town corporation rose from 31 per cent in 1971 to 34 per cent in 1979, remaining at that level until 1981. In 1982 the proportion declined to 32 per cent, primarily as a result of the provision in the 1980 Housing Acts for public sector tenants to have the right to buy their own homes (see pp 56-9, 1980). In the privately rented sector the proportion of households living in unfurnished accommodation was halved from 12 per cent to 6 per cent between 1971 and 1980, but has remained steady since; the furnished sector accounted for between 2 and 3 per cent.

Consumer Durables

Between 1979 and 1982 there were only slight increases in the proportions of households with vacuum cleaners, refrigerators and televisions, each of which was available to over 90 per cent of households in 1979. The proportion of households which had colour televisions, however, rose from around two-thirds in 1979 to around three-quarters in 1982. Items with less widespread penetration showed a more rapid increase over this period: the proportion of households which had tumble-driers rose by over one-third, from 19 to 26 per cent; the proportion with deep freezers

rose by about one-quarter, from 40 to 51 per cent; and the very small proportion of households which had a dishwasher increased from 3 to 4 per cent. The proportions of households with washing machines (79 per cent in 1982), telephones (76 per cent) and central heating (60 per cent) had also risen, but at a less marked rate than for tumble-driers and deep freezers.

In 1982, 59 per cent of private households had the use of a car, compared with 53 per cent in 1971; the proportion of households with more than one car increased by nearly three-quarters, from 9 per cent in 1971 to 16 per cent in 1982.

Employment

The survey shows a gradual decrease since 1973 in the economic activity rates of men (that is, the proportion who are either working or looking for work). In 1973, 82 per cent were economically active, and by 1982 this proportion had fallen to 76 per cent. The decrease was particularly marked among men aged 16 and 17 and those aged 60 and over, although by 1982 there was also an indication of a slight fall in other age groups. In 1973, 3 per cent of men aged 16 to 64 were unemployed, while 90 per cent were working; by 1982, 11 per cent were unemployed and 78 per cent working. Since the mid-1970s the proportions unemployed have tended to be higher among those aged 16 to 24 than among older men. In 1982 only 47 per cent of 16 and 17 year-olds were economically active (the remainder being mostly still in education or in training schemes); of these, 27 per cent were in work and 20 per cent were unemployed.

In 1982, 6 per cent of women aged 16 to 59 were unemployed, compared with 2 per cent in 1973, but because of the rise in part-time working during the 1970s, the proportions of married women and of women with dependent children who were working were higher in 1982 than they had been in 1973.

Education

Among people aged 25 to 49 who were not in full-time education at the time of the interview and who for the most part would have completed their education, the level of educational attainment was closely related to socio-economic background; 24 per cent of people with professional fathers had been to university compared with 2 per cent of those with fathers in manual occupations. Only 7 per cent of people with a professional background were without qualifications, compared with 68 per cent of those whose fathers were unskilled manual workers. Men tended to be more highly qualified than women and were much more likely to have been to university, although the difference was much greater among older people than among younger people. The differences between men and women were generally less marked among the children of non-manual workers than those of manual workers. Among people from a professional or intermediate non-manual background about twice as many men as women had degrees, but among those whose fathers were manual workers the ratio was three to one.

Health

In 1982, 7 per cent of adults and children in the sample had private medical insurance cover, either as policy holders or under someone else's policy. The probability of being covered increased from 7 per cent of children aged under 16 to 9 per cent of people aged 45 to 64, but fell again to only 3 per cent of those aged 65 to 74 and 2 per cent of those aged 75 and older. The greatest differences were between people in different socio-economic groups: nearly a quarter of adults in the professional category and nearly a fifth of those in the employers and managers group had cover, compared with 2 per cent of those in the semi-skilled and unskilled manual groups. There were also large regional differences: adults in the outer metropolitan area of the south-east of England were more than four times as likely to be insured as those in Wales, Scotland and the north of England. Regional differences existed even when allowance was made for differences between regions in the proportions of people in the various socio-economic groups.

Two-thirds of women and more than half of men aged 16 or over used spectacles or contact lenses. Contact lenses were worn by 2 per cent of adults, but women were three times as likely to wear them as men. Contact lenses were worn most frequently by people aged 25 to 34 and very few people over the age of 44 wore them. Professional people were very much more likely than people in other socio-economic groups to wear lenses; more than one in ten professional men aged 16 to 34 and professional women aged 16 to 44 did so.

Smoking, Drinking and Health

Advance data on cigarette smoking from the survey for 1982 were published in July 1983 (see pp 279-80, 1983). There was a marked decline in the prevalence of smoking among both men and women between 1980 and 1982. Over the period from 1972 to 1982 the proportion of men who were ex-smokers (that is, had smoked cigarettes regularly in the past but no longer did so) increased from 23 per cent to 30 per cent. The proportion who had never smoked cigarettes or had smoked them only occasionally also rose, from 25 per cent in 1972 to 32 per cent in 1982. Among women the proportion of ex-smokers increased from 10 per cent to 16 per cent during this period, a higher rate of increase than that for men. On the other hand, the proportion of women who had never smoked cigarettes regularly increased only marginally, from 49 to 51 per cent.

Taking smoking and drinking together, 6 per cent of men and 1 per cent of women were heavy smokers and also in the heaviest drinking category, the highest proportions for both sexes being among those aged 18 to 44. Men in the manual socio-economic groups were about three times as likely as men in the non-manual groups to be heavy smokers and in the heaviest drinking group.

In almost all age groups men and women who had never smoked cigarettes regularly were less likely than those who had done so to report a long-standing illness, disability or infirmity. In

contrast, among men and women in almost all age groups the highest proportion reporting chronic sickness was among those who did not drink: 50 per cent of male abstainers and 53 per cent of female abstainers had a long-standing illness, disability or infirmity, compared with 35 per cent of all men and 38 per cent of all women. A similar pattern was evident in the relationship between drinking and acute sickness.

Social Security Benefits

Most social security benefits will rise in November by 5·1 per cent following the Government's annual benefit uprating. The increases will reflect the rise in the general level of prices over the year up to 31 May 1984. As a result of the uprating expenditure on social security will increase by £1,600 million to around £39,000 million in a full year, almost one-third of total public expenditure.

Details of the new benefit rates and other changes were announced in the House of Commons on 18 June by the Secretary of State for Social Services, Mr Norman Fowler (*Hansard*, Vol 62, No 173, cols 20-34). The Government, said Mr Fowler, was pledged to maintain the value of pensions, and its success in controlling inflation meant that occupational pensions and other savings were now better maintaining their value. The Government had ensured that the basic rates of the major benefits were fully price-protected, while the resources available had been targeted to those in greatest need, such as the very old.

The main points of Mr Fowler's statement are summarised below, followed by details of current and proposed benefit rates, the latter being subject to parliamentary approval.

MINISTER'S STATEMENT

Increased Rates

Mr Fowler listed five main groups who will be given particular help by the uprating:

Retirement Pensioners

The standard basic rate of pension will go up to £35·80 for a single person and £57·30 for a married couple. Further steps are also being taken towards the abolition of the pensioners' earnings rule by increasing the limit by 7·7 per cent from £65 to £70 a week. [The earnings limit is the amount a pensioner may earn without the pension being affected; if more is earned, the pension is reduced on a sliding scale. The rule does not apply to women aged 65 and over and men aged 70 and over.]

The Unemployed

The standard rates of unemployment benefit will be increased to £28·45 for a single person and £46 for a married couple.

Families

Child benefit will increase to £6·85 and one-parent benefit (the additional sum to which people bringing up children alone are entitled) to £4·25 – their highest-ever level in real terms.

Others on Low Incomes

The long-term scale rate of supplementary benefit will increase to £35·70 for a single householder and £57·10 for a married couple. The ordinary rates for short-term and unemployed claimants under 60 will go up to £28·05 for a single householder and £45·55 for a couple. The scale rates for children will go up by 4·7 per cent. Heating additions will be increased in line with the rise in fuel prices, and the scope of age-related heating additions will also be extended.

Housing benefit needs allowances will increase by 4·8 per cent, apart from those for children which will be raised by an additional 15p.

Disabled People and War Pensioners

Mobility allowance, which helps to pay the transport costs of physically disabled people aged between 5 and 65 who are unable, or virtually unable, to walk, will go up to £20. All war widows' pensions will be increased in line with prices, and those of older widows will be increased in real terms, both through increases in the age allowances received at ages 65 to 70 and by the introduction of a new rate for those aged over 80.

BENEFIT RATES

Main Contributory and Non-Contributory Benefits

The payment of some benefits – such as retirement, or widows' and invalidity pensions and sickness and unemployment benefit – depends on contributions paid under the National Insurance scheme. Other benefits do not depend upon contributions: the main one is child benefit, but there are also a number providing special help, for example, for disabled people.

	Existing weekly rate £	*Proposed weekly rate* £
Child benefit		
Each child	6·50	6·85
One parent benefit		
First or only child of certain lone persons	4·05	4·25
Retirement[1] and widows' pensions, and widowed mothers' allowance		
Single person	34·05	35·80
Wife or other adult dependant	20·45	21·50
Earnings limit for retirement pensioners	65·00	70·00
Invalidity pension		
Single person	32·60	34·25
Spouse or other adult dependant	19·55	20·55

[1]An age addition of 25p is payable to retirement pensioners who are aged 80 or over.

	Existing weekly rate £	Proposed weekly rate £
Invalidity allowance		
Higher rate	7·15	7·50
Middle rate	4·60	4·80
Lower rate	2·30	2·40
Unemployment benefit		
Single person	27·05	28·45
Wife or other adult dependant	16·70	17·55
Sickness benefit		
Single person	25·95	27·25
Wife or other adult dependant	16·00	16·80
Widows' allowance (first 26 weeks of widowhood)	47·65	50·10
Maternity allowance	25·95	27·25
Attendance allowance		
Higher rate	27·20	28·60
Lower rate	18·15	19·10
Non-contributory invalidity pension[1]	20·45	21·50
Invalid care allowance	20·45	21·50
Increase of non-contributory invalidity pension and invalid care allowance for a wife or other adult dependant	12·25	12·85
Mobility allowance	19·00	20·00
Guardian's allowance, child's special allowance	7·60	7·65
Rate of benefit for children of widows, invalidity, and retirement pensioners, invalid care beneficiaries; unemployment and sickness beneficiaries when claimant is over pension age	7·60	7·65

Industrial Injuries Benefits

Industrial injuries benefits are payable to employed people who suffer injuries caused by an accident at work or from a prescribed industrial disease. Disablement benefit is usually paid after a qualifying period of 15 weeks if there is a loss of physical or mental faculty. (During the qualifying period sick pay or sickness benefit is payable.)

	Existing weekly rate £	Proposed weekly rate £
Disablement benefit (100 per cent assessment)	55·60	58·40
Unemployability supplement[2,3]	32·60	34·25
Special hardship allowance (maximum)	22·24	23·36
Constant attendance allowance (normal maximum), exceptionally severe disablement allowance	22·30	23·40
Industrial death benefit		
Widows' pension during the first 26 weeks of widowhood	47·65	50·10
Higher permanent rate	34·60	36·35
Lower permanent rate	10·22	10·74

[1]Non-contributory Invalidity Pension and Housewife's Non-contributory Invalidity Pension will both be replaced from November 1984 by Severe Disablement Allowance, subject to the enactment of the Health and Social Security Bill now before Parliament (see p 31).

[2]Invalidity allowances and increases for adult dependants and children will be the same as those payable with invalidity pensions.

[3]The amount of earnings permitted with unemployability supplement will also be increased.

Main Supplementary Benefits

Supplementary benefits are payable to people who are not in full-time work and whose financial resources fall below a certain level. The amounts shown below are the weekly levels laid down for the requirements of married couples, single householders and others. Benefit awarded is the difference between resources and these requirements. The long-term rates apply to claimants over 60, most disabled people, and to those people below the age of 60 who have received supplementary benefit continuously for two years, provided that the award has not been subject to the condition of registering for employment.

	Existing weekly rate £	Proposed weekly rate £
Ordinary rate		
Couple	43·50	45·55
Person living alone	26·80	28·05
Non-householder aged:		
18 and over	21·45	22·45
16–17 years	16·50	17·30
Any other person aged:		
11–15 years	13·70	No change
Under 11 years	9·15	No change
Long-term rate		
Couple	54·55	57·10
Person living alone	34·10	35·70
Non-householder aged:		
18 and over	27·25	28·55
16–17 years	20·90	21·90
Any other person aged:		
11–15 years	14·35	No change
Under 11 years	9·60	No change
Boarder's personal expenses		
Ordinary:		
Couple	17·70	18·50
Single	8·85	9·25
Long-term:		
Couple	19·70	20·60
Single	9·85	10·30
Heating additions	1·90–7·60	2·05–8·20

Family Income Supplement

Family income supplement is a benefit for families with small incomes where the head of the household is in full-time work and where there is at least one dependent child. It is payable when the gross weekly income of the family falls below a prescribed amount. The amount varies according to the number of children in the family, but is the same for single- and two-parent families. 'Full-time work' means, for the purposes of this benefit, work of at least 30 hours a week for two-parent

families or 24 hours a week for one-parent families.

	Existing weekly level £	*Proposed weekly level* £
Family Income Supplement		
Prescribed amount for family with one child (income below which family income supplement is payable)	85·50	90·00
Increase in prescribed amount for each additional child	9·50	10·00
Maximum weekly amount for a one-child family	22·00	23·00
Increase in maximum amount for each additional child	2·00	No change

Main War Pensions

War pensions are payable to people disabled as a result of service in the armed forces, to people disabled from injuries in the Merchant Navy or Civil Defence during wartime, or to civilians injured by enemy action.

	Existing weekly rate £	*Proposed weekly rate* £
Disablement pension for Private at 100 per cent rate	55·60	58·40
Age allowance, depending on degree of disability	3·85-12·10	4·05-12·70
Unemployability allowances		
Personal allowance	36·15	38·00
Increase for wife or other adult dependant	20·45	21·50
Increase for child	7·60	7·65
Constant attendance allowance		
Special maximum	44·60	46·80
Normal maximum	22·30	23·40
Comforts allowance		
Higher rate	9·60	10·10
Lower rate	4·80	5·05
Mobility supplement	21·15	22·25
Allowance for lowered standard of occupation (maximum)	22·24	23·36
Exceptionally severe disablement allowance	22·30	23·40
Severe disablement occupational allowance	11·15	11·70
Clothing allowance (annual rate)		
Higher rate	75·00	79·00
Lower rate	48·00	50·00
Widows' pension (Private's widow)		
Standard rate	44·25	46·55
Childless widow under 40	10·22	10·74
Rent allowance (maximum)	16·85	17·70
Age allowance for elderly widows		
Age 65-69	4·30	5·00
Age 70-79	8·60	10·00
Age 80 and over	8·60	12·50
Adult orphans	34·05	35·80

Housing Benefit

Housing benefit, introduced under the Social Security and Housing Benefits Act 1982, is available to claimants needing help with housing costs. The needs allowances are the levels laid down to cover basic weekly living expenses. Administered by local authorities, this single benefit replaces supplementary benefit payments made towards rents and rates, and local authority rebates and allowances.

	Existing weekly rate £	*Proposed weekly rate* £
Needs allowances		
single person	43·05	45·10
couple/single parent	63·50	66·50
single handicapped person	48·00	50·30
couple (one handicapped) or single handicapped parent	68·45	71·70
couple (both handicapped)	70·80	74·15
dependent child addition	11·90	12·85

Action on Drug Misuse

The importance of broadly based health education programmes in preventing drug misuse in the community is the main observation of the latest report by the Advisory Council on the Misuse of Drugs, published in June. In response to the report the Government is to set up an inter-departmental group both to develop its overall strategy in the fight against drug misuse and to speed up the implementation of the Council's recommendations.

The Advisory Council was set up under the Misuse of Drugs Act 1971 to keep under review the problems of drug misuse and to advise ministers on ways of dealing with them. Its report on prevention[1] follows an earlier report on treatment and rehabilitation (see pp 43–4, 1983), and develops some of the aspects considered in that report.

Report on Prevention

In its introduction the report says that the increasing incidence of drug misuse casts doubt on the adequacy of existing preventive measures, making it more important than ever to examine their effectiveness and to consider ways to improve them or develop better ones. Preventive measures are defined as those aimed either at reducing the risk of an individual engaging in drug misuse, or at reducing the harm associated with drug misuse. A matter for particular concern is the increasing incidence of opiate drug misuse; the number of narcotic drug addicts notified for the first time to the Home Office in 1982 rose sharply to 2,793, compared with a figure of 800 for 1972.

[1]*Prevention. Report of the Advisory Council on the Misuse of Drugs.* HMSO, £3·50. ISBN 0 11 340794 7.

Discussing the causes of misuse, the report concludes that it is a complex social problem for which no single cause or consistent pattern of multiple causes has been identified; the individual, social groups, economic status and other environmental factors, and the availability of drugs must all be taken into account when developing a comprehensive prevention policy.

Reviewing the range and nature of current preventive policy, the report identifies two main aspects: statutory controls, embodied in the Misuse of Drugs Act 1971 and designed to limit the availability of drugs; and educational programmes aimed either at the community or at specific groups such as young people, and including training for professionals. In making proposals for the development of future policy, it emphasises the role of education, endorsing the current trend away from education concerned solely with drugs towards broader programmes designed to promote healthy living. Specific campaigns aimed at preventing drug misuse, it says, are in general not desirable. Campaigns which deliberately present information about misuse in a way which is intended simply to shock or scare are rejected as being ineffective or even positively harmful. However, there is a need for more centrally produced, accurate source material about drug misuse. The report also considers briefly the role of the media in educating the public and argues that media coverage needs to be better informed.

Considering the allocation of responsibility for prevention policy, the report recommends that the Home Secretary should assume a co-ordinating role at national level. At the local level, it recommends the extension of the proposals put forward in its earlier report, *Treatment and Rehabilitation*, for drug advisory committees; these bodies, which were intended to monitor the extent of drug misuse, and assess the effectiveness of existing services in the field of treatment and rehabilitation and foster their improvement, should, with an extended membership, also have responsibility for developing prevention practice and co-ordinating the activities of the relevant services.

The report concludes with suggestions of areas for further research, and stresses the need for careful evaluation of the effectiveness of prevention programmes.

Government Response

Responding to the report, the Home Secretary, Mr Leon Brittan, said in a parliamentary reply on 28 June (*Hansard*, Vol 62, No 182, cols 511-12) that its recommendations represented a most valuable contribution to the Government's strategy for tackling drug misuse. This strategy was based on measures to stem the flow of illicit drugs into Britain in co-operation with producer and transit countries, to provide for effective enforcement of, and adequate deterrents in, the law, and to make available help and guidance to those who were misusing or were tempted to misuse drugs (see pp 30-1).

The Government was, therefore, taking immediate steps to implement the Council's major recommendations, in particular its basic conclusion that there was a need for more effective broadly-based programmes aiming to promote healthier lifestyles and including information about drugs and their effect. Education of the young must be a priority, but help and guidance must also be made more readily available to those who might be able to influence the young, whether parents, teachers, youth workers or other professionals.

The Government's strategy, said Mr Brittan, covered a wide range of departmental interests. He had, therefore, decided to set up an inter-departmental group of ministers and officials, whose task would be to develop the Government's overall strategy for combating drug misuse and to oversee its implementation. As a matter of urgency, the group would work to carry forward the recommendations contained in the Council's report on prevention, taking into account comments on the report as they became available.

New Funds

In the House of Commons on 13 July (*Hansard*, Vol 63, No 192, col 1511) Mr John Patten, Parliamentary Secretary of State at the Department of Health and Social Security, announced that a further £1 million was to be made available for local initiatives to improve drug misuser services. This was in addition to the £6 million already allocated for the years 1983-86 (see pp 104-5).

New System of Examinations at 16 Plus

A single system of examinations to be taken at about the age of 16, and designed to replace the present General Certificate of Education (GCE) 'O' level, the Certificate of Secondary Education (CSE) and other 16 plus examinations in England and Wales, was announced by the Secretary of State for Education and Science, Sir Keith Joseph, in the House of Commons on 20 June. The new qualification will be called the General Certificate of Secondary Education (GCSE), and is designed to improve examination courses and to raise the standard of performance of all candidates.

Announcing the new system (*Hansard*, Vol 62, No 175, cols 303-13) Sir Keith said that it would have four features essential to achieving its objectives: fewer examining groups, national criteria, differentiated papers or questions, and grade-related criteria.

The existing 20 Examining Boards for GCE 'O' level and the CSE would come together into five groups – four in England and one in Wales. This would reduce the excessive number of examining bodies, syllabuses and subject titles, which were now a source of confusion. All syllabuses would be governed by national criteria currently in preparation, in order both to improve their coverage

and content, and to ensure that all courses achieved a proper balance between acquiring knowledge and acquiring skills and understanding, and between theoretical and practical work. There would be differentiated papers or questions in every subject, so that each subject could be taught and examined in a way that reflected the widely differing abilities of candidates more effectively. Grade-related criteria would be applied which would specify the knowledge, understanding and skills expected for the award of particular grades.

The certificates, said Sir Keith, would be awarded by each examining group, with a seven-point scale of grades denoted by the letters A to G. Grades A to C would embody standards at least as high as the present 'O' level grades A to C, and when one of these grades was awarded, this would be shown distinctly on the certificate. To encourage the ablest pupils to pursue broad and balanced courses in the fourth and fifth years of secondary education, the Secondary Examinations Council and the examination boards would be invited to co-operate in the introduction of 'distinction certificates' for those candidates achieving good grades in a broad range of key subjects.

Listing the advantages of the new system, Sir Keith said that it would build on the strengths of 'O' levels, would do more than 'O' levels to stretch the ablest pupils, and would do more than the CSE to motivate other pupils. It would more effectively promote worthwhile knowledge, understanding and skills, and would grade candidates by their performance better than at present, on the basis of what they themselves knew and could do and without regard to the performance of others. The system would be clearer to candidates, their parents and employers than was the present system, and it would be more cost effective. The new system, with the features and safeguards on which the Government insisted, would be a powerful instrument for raising standards of performance at every level of ability.

Given the necessary support of the examination boards, the first courses would begin in the autumn of 1986, with the first awards in the summer of 1988.

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Report of the Commissioner of Police of the Metropolis for the year 1983. Describes new approaches to crime in the metropolis, including a greater emphasis on prevention of crime and on securing and retaining the goodwill of the community, and reports a significant fall in recorded crime. Cmnd 9268. HMSO, £9·45. ISBN 0 10 192680 4.

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Black and White Britain. The Third PSI Report by Colin Brown of the Policy Studies Institute. The report of a survey investigation into the circumstances of the British black population. Heinemann Educational Books, £8·95. ISBN 0 435 83125 9.

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Vol I: Report. HMSO, £3·75. ISBN 0 10 296284 7.

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